Exhibit A

NEC CORPORATION

Annual Report 2000

NEC SOLUTIONS

NEC NETWORKS

THE RIGHT STRENGTHS FOR THE INTERNET ERA

NEC ELECTRON DEVICES

Imagination. Solutions.

NEC—THE INTERNET SOLUTION PROVIDER

Opportunities spawned by the Internet's growth appear to be limitless. Many companies are targeting this market but few have NEC's depth. NEC ranks among the world leaders in three fields critical to the Internet age: computers, communications equipment and electron devices. Continued growth in all three is assured as the Internet revolution gains momentum. To ensure its own prosperity, NEC is concentrating all three of these core businesses on Internet-related fields. This strategy will firmly position NEC as a key Internet solution provider, creating greater value for customers and shareholders alike.

CONTENTS

Statements in this annual report with respect to NEC's plans, strategies, and beliefs, as well as other statements that are not historical facts are forward-looking statements involving risks and uncertainties. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, general economic conditions in NEC's markets, which are primarily Japan, North America, Asia and Europe; demand for, and competitive pricing pressure on, NEC's products and services in the marketplace; NEC's ability to continue to win acceptance for its products and services in these highly competitive markets; and movements of currency exchange rates, particularly the rate between the yen and the U.S. dollar in which NEC makes significant sales.

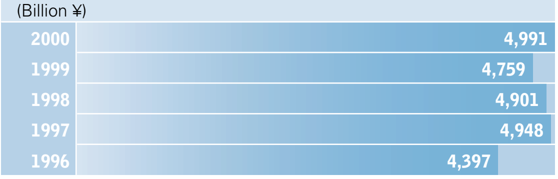
FINANCIAL HIGHLIGHTS

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 1998, 1999 and 2000

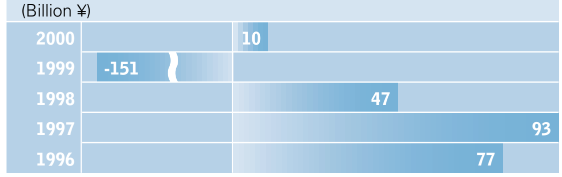
	In millions of yen			In thousands of U.S. dollars	Percent change
	1998	1999	**2000**	**2000**	2000/1999
Net sales	¥4,901,122	¥4,759,412	**¥4,991,447**	**$48,460,650**	5%
NEC Solutions	1,874,899	2,036,653	**2,270,625**	**22,044,903**	11
NEC Networks	1,819,585	1,582,169	**1,527,758**	**14,832,602**	–3
NEC Electron Devices	1,151,312	1,044,884	**1,122,790**	**10,900,874**	7
Others	783,581	721,543	**723,911**	**7,028,262**	0
Eliminations	(728,255)	(625,837)	**(653,637)**	**(6,345,991)**	–
Income (loss) before income taxes	90,993	(224,726)	**30,183**	**293,039**	–
Provision (benefit) for income taxes	41,514	(72,988)	**32,484**	**315,379**	–
Net income (loss)	47,417	(151,261)	**10,416**	**101,126**	–
Per share of common stock (in yen and U.S. dollars):					
Net income (loss)					
Basic	29.78	(94.49)	**6.40**	**0.062**	–
Diluted	27.36	(94.49)	**6.40**	**0.062**	–
Cash dividends	11.00	8.50	**6.00**	**0.058**	–29
Per American Depositary Share, each representing 5 shares of common stock (in yen and U.S. dollars):					
Net income (loss)					
Basic	149	(472)	**32**	**0.31**	–
Diluted	137	(472)	**32**	**0.31**	–
Cash dividends	55	42.5	**30**	**0.29**	–29
Total assets	5,074,478	5,045,934	**4,608,964**	**44,747,223**	–9
Shareholders' equity	1,162,287	927,345	**976,853**	**9,484,010**	5
Capital expenditures	385,346	253,623	**281,639**	**2,734,359**	11
R&D expenses	381,239	346,215	**315,163**	**3,059,835**	–9
Employees	152,450	157,773	**154,787**		–2

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥103=U.S.$1.
2. NEC adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" beginning with the fiscal year ended March 31, 2000, which requires a "management" approach in reporting segment information. Previously reported segment information has been restated to conform with the requirements of SFAS No. 131. All segment sales figures include intersegment transactions.
3. NEC adopted SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" beginning with the fiscal year ended March 31, 2000, and has restated its prior years' consolidated financial statements.

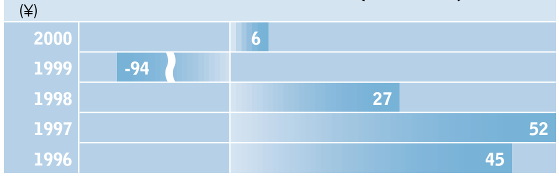
NET SALES
(Billion ¥)



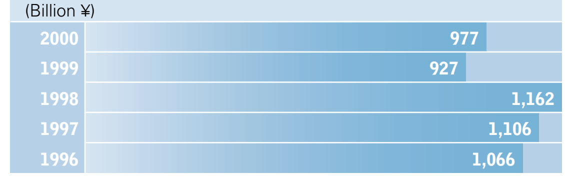
NET INCOME (LOSS)
(Billion ¥)



NET INCOME (LOSS) PER SHARE OF COMMON STOCK (DILUTED)
(¥)



SHAREHOLDERS' EQUITY
(Billion ¥)



TO OUR SHAREHOLDERS

NEC embarked on a new beginning this fiscal year. We celebrated our 100th anniversary on July 17, 1999 by embarking on a journey that will take us through our next century. Providing the fundamental direction of this growth will be a focus on the Internet. To create the necessary platform, we adopted an organization made up of in-house companies in April 2000. During the fiscal year, we also took radical action to restructure unprofitable operations, notably NEC Home Electronics, Ltd. and Packard Bell NEC, Inc. in the U.S.

Net sales in the fiscal year ended March 31, 2000 increased 5 percent to ¥4,991.4 billion ($48,461 million). PCs and cellular phones performed well and semiconductor results recovered. Net income was ¥10.4 billion ($101 million). Restructuring expenses were offset by gains on sales of stock and other assets, and the securitization of NEC's head office building. Interest-bearing debt fell by ¥418.4 billion ($4,062 million). We are well on the way to reaching our targeted reduction of ¥600 billion over the three-year period ending in March 2002. In sum, this performance was a solid first step toward a new era of growth for NEC.

AIMING TO BE AN INTERNET SOLUTION PROVIDER

All of NEC's resources will be channeled to Internet businesses. We are aware that the Internet's impact extends well beyond progress in information technology. It is nothing less than a social phenomenon. A full-scale Internet society underpinning our lives is clearly not far away. In this new world, our economic and social systems will be based on the premise of Internet access.

Helping make this Internet society a reality is the mission of NEC. We further believe that its advent will open up unprecedented opportunities for us. Demands are certain to rise for networks able to handle larger volumes of information at higher speeds and with airtight security. These networks will permit the provision of new services, too, a trend that will make the Internet still more popular. We expect to see a boom in new Internet products like networking equipment, mobile terminals, information appliances for the home and game consoles. This of course spells a greater need for electron devices such as semiconductors and electronic components. We foresee a robust and mutually sustaining expansion in all three solution markets where NEC is most competitive: corporate customers and consumers; network operators; and manufacturers of Internet-related equipment. In each market, NEC will focus on Internet-related businesses that will enhance its ability to offer complete value-added solutions and strengthen its growth potential. NEC's BIGLOBE, one of the largest Internet service providers (ISPs) in Japan, is at the center of this endeavor. Its expansion is a priority. By taking this stance, NEC will strive to work with its customers and partners to bring about a true Internet society.

Hajime Sasaki (Right), Chairman of the Board and Koji Nishigaki (Left), President

NEC REORGANIZES INTO IN-HOUSE COMPANIES

Competition for any Internet-related business is fierce. In every market sector, global companies specializing in that field are battling for supremacy. The dividing line between winners and losers is widening rapidly. These Internet-related markets are precisely where NEC must prevail. Exceeding the agility of other specialized companies is imperative to success.

In April 2000, we evolved into an organization that can accomplish this. All of NEC's major operations were reorganized into three in-house companies based on customers and markets served. Our focus on the Internet is of course a theme common to all. NEC Solutions will supply Internet solutions mainly to corporate and individual customers. NEC Networks will supply Internet solutions to network service providers, while NEC Electron Devices will supply device solutions to manufacturers of Internet-related equipment. Corporate headquarters supervises and supports these three companies.

Top management was realigned at the same time. Company officers have responsibility for the operations of each in-house company. The board of directors oversees these officers and sets fundamental strategies for the NEC Group. With this move, considerable decision-making authority was moved down from the corporate level to the in-house companies. Each in-house company controls an integrated organization that includes

development, production and marketing. This will allow managers to reach decisions much faster. The companies will be more competitive by using their freedom to tailor operations to match the characteristics of their markets and customers. Greater transparency is another advantage of this system since managers are now more accountable for meeting targets.

DEALING WITH UNPROFITABLE OPERATIONS AND FORMING STRATEGIC ALLIANCES

This fiscal year was a period of decisive action in two important areas: the restructuring and closing of unprofitable businesses, and the formation of alliances with other companies to become more competitive while sharing risks. Our subsidiary NEC Home Electronics was thoroughly restructured according to the growth potential and profitability of its products. The result of the formation is four business units specializing in: display monitors; LCD (liquid crystal display) projectors; lighting products; and digital storage products. Three of the businesses were established as separate companies while digital storage product business was transferred to NEC Solutions. For display monitors, we established a joint venture in January 2000 called NEC-Mitsubishi Electric Visual Systems Corporation. By leveraging the powerful brands and technical prowess of both joint venture partners, the new company intends to capture a leading share in the global monitor market.

For our overseas PC and server business, we reorganized worldwide operations, other than those in China, around NEC Computers International B.V., the former Packard Bell NEC Europe B.V., a company that has been growing steadily. We withdrew from the consumer PC market in North America, where steep price declines made the outlook for profitability poor. In this region, NEC will concentrate exclusively on PCs and servers for the corporate market.

In other moves, we closed down our color display tube (CDT) operations and transferred sales and servicing of medical electronic devices to a joint venture with General Electric of the U.S. Together, these actions largely completed the restructuring of NEC's unprofitable businesses.

We will take an aggressive stance in forming partnerships with other companies. Exemplifying this policy is our formation of NEC-Hitachi Memory, Inc. to manufacture DRAMs (dynamic random access memories). Fusing the technological bases of the two companies will speed the development of next-generation devices, positioning this

company as a leader in the global DRAM market. Another alliance targets the third generation (3G) of mobile communications. With Siemens AG of Germany, we established a British research and sales company called Mobisphere Limited. Boosted by their research and marketing synergies, the two partners aim to take a joint position among the world's top three suppliers of 3G mobile communications systems.

MOLDING AN NEC THAT FOCUSES ON MAXIMIZING VALUE

We now operate in an Internet-defined age where markets are open and global. That means companies too must embrace the same openness. Above all, this mandates an extremely transparent management structure that is intently focused on raising NEC's value.

We consider the value of NEC as a corporation to be the sum of the value we create for shareholders, customers and employees. Our goal is a management style in which higher value for customers and employees translates directly into value for shareholders. To link the interests of shareholders more closely with management, we have decided to offer stock options and tie remuneration to NEC's share price. Under this new system, NEC is ideally positioned to generate value as an Internet solution provider. We respectfully ask for the support and understanding of our shareholders and customers as we endeavor to maximize the value of NEC.

Hajime Sasaki
Chairman of the Board

Koji Nishigaki
President

June 29, 2000

NEC LOOKS TO THE FUTURE

NEC President Koji Nishigaki discusses key issues that will shape the company's future with Yutaka Kosai, a respected economist in Japan.

NEC has made a clear commitment to gaining a leading position in the Internet market. What exactly is your vision of NEC in the future?

Soon after I was named president, I announced that NEC would aim to become a solution provider. By solution, I mean addressing specific problems that customers have as well as offering ways to enhance their convenience and profits. Basically, my position was that we needed to bring all our products, both services and hardware, under the solutions umbrella. In fact, NEC has now started moving away from its traditional hardware-oriented solutions to customer-tailored solutions. This is a huge shift for us.

I personally took an early interest in the potential of the Internet. I was impressed the very first time I came into contact with this technology. Even then, I was convinced that eventually, every computer system in the world would be connected to this network.

With the Internet have come enormous opportunities for NEC in all three of our core businesses: computers, communications equipment and electron devices, while our BIGLOBE Internet service provider is a driving force for all of NEC's businesses. Everything is in place. That's why I decided to channel all of NEC's resources into Internet businesses. We want to become nothing less than a comprehensive Internet solution provider.

Advances in technology have made access to information less costly. To compete successfully in this environment, companies need to adapt to changes more quickly than ever before. Did NEC divide operations among three in-house companies—NEC Solutions, NEC Networks and NEC Electron Devices—to gain the necessary agility?

I believe that decentralization is essential to NEC's future growth. After all, this is a mammoth organization with annual sales of ¥5 trillion and over 150,000 employees.

Furthermore, it can be difficult to comprehend NEC because of the diversity of its products and services. With the new in-house companies, we have split NEC's image into three elements. Investors can now understand us more easily. We are also in a better position to apply benchmarking techniques. Both will be invaluable to fulfilling our goals.

We had many discussions about synergy. Some people thought that a single organization under our "C&C" (computers and communications) concept was the best way to utilize our resources. They were concerned about weakening of synergy if NEC were divided into three in-house companies. My experience, however, taught me that doing business as a single entity does not always lead to greater synergy. In fact, this structure tends to make people rely on others rather than themselves. In today's market, we must even consider becoming partners with our competitors. All this reflects my belief that synergy springs from necessity and enthusiasm, not organizations.

What are your expectations for each of the in-house companies?

By dividing our operations into three companies, we can more easily identify other similar organizations to use as benchmarks. These are the companies that we need to compete with to survive in the global marketplace. Each of our in-house companies must build a self-reliant base for growth that reflects the unique nature of its businesses. This process could lead to substantial variations among the three companies in their scale and activities. So I have only a single aspiration for the in-house companies that they compete and win anywhere in the world.

You described the BIGLOBE as a driving force for all of NEC. How will BIGLOBE play out this important role in NEC's future?

I regard BIGLOBE as the conduit to the Internet-age market. The value of this market will obviously grow along with our ability to attract a greater number and diversity of participants. One goal is increasing membership to ten million as quickly as possible. In order to do this, we have continued to add appealing content through such actions as the recent agreement with eBay Japan, the auction site, and the Internet securities arm of France's Société Générale.

In the near future, all our customers will be linked to the Web. Who will be the integrator then? What kinds of markets can they access? NEC must provide both integration and markets. Otherwise, competitors could very well take our customers away from us. This is what our "Invitation to the Internet" is all about. We want everyone to realize that working with NEC is the best way to become connected to the world on the Internet.

So, our first objective is making the BIGLOBE market larger. If BIGLOBE can provide its members with an attractive market, the value derived from linking people with BIGLOBE will grow. Next come links between BIGLOBE and the internal systems of our corporate customers. These lines will allow the emergence of business opportunities in a new market place between our varied corporate and consumer customers.

Today, global capital market forces determine the value of a company. Companies that don't measure up have difficulty funding the capital to operate their businesses, and can no longer remain on the global stage. All this is spotlighting the importance of shareholder value. How do you reconcile this trend with the need to create value for customers and employees as well?

In the past, shareholder value ranked low among the priorities of Japanese companies. I think this is a serious problem. And Japan is still regarded as lagging behind in terms of global standards for capitalism.

Recently, many companies have begun to stress the importance of shareholder value. But you cannot promote the interests of shareholders, customers and employees separately. To raise shareholder value, you first need to have customers make purchases based on an accurate evaluation of your products and services. Customer satisfaction is imperative. And the source of this satisfaction is talented employees doing their best to meet customers' demands. Therefore, looking after customers and employees will ultimately lead to growth in shareholder value.

One big difference we face today is the need for transparency. Once a company proclaims its allegiance to shareholder value, there are immediate demands for greater transparency. For some time, I have worked on communicating with investors. NEC's awareness of the need for strong relationships with investors has grown to the point where I believe this may be the best way to alter Japanese management practices. If capital markets are to understand NEC, it is imperative that we eliminate the custom of conducting our businesses under a system where managers and employees reach decisions without regard to those of the company's shareholders. Becoming attuned to shareholder needs, however, brings about a clear shift in how the board of directors functions, and casts a new light on the role of managers. In the end, I think that we will witness a change in how all employees approach their work.

How do you plan to improve NEC's corporate governance now that the new in-house structure is in place?

This is a key component of the changes taking place at NEC. In Japan, the board of directors customarily is made up of the executives who oversee the company's operations. The board is thus limited in its ability to supervise the actions of these executives. And the size of many boards, which often have more than 30 members, precludes meaningful debate. Effective discussions demand a smaller group. This is why we cut the number of NEC's directors in half. Participation in meetings is restricted to corporate directors and the presidents and vice presidents of the in-house companies. This prevents decisions from being made solely based on the input of the executives at the in-house companies who actually run our businesses. Including the corporate side provides an effective system of checks and balances. I am convinced that this structure will enhance NEC's corporate governance.

Naturally, some people have told me we should add more external directors. I agree. However, these recent revisions to our corporate governance should be regarded as just the first step. This is not the final structure for our management. We will be making more revisions in the years ahead as necessary.

In what ways are you revising incentive packages for top managers as well as all employees as NEC undergoes these dramatic changes?

We are planning on adopting a stock option system that would cover about 170 directors, corporate executive officers and other upper-level executives. Bonuses linked to NEC's share price will be paid to other members of management. An even larger share of bonuses for all managers will be dependent on the performance of their respective in-house companies. I want to make everyone more sensitive to our business results and share price. I believe this is the best way for me to take the lead in making NEC grow.

Yutaka Kosai was selected to interview President Nishigaki due to his familiarity with NEC and his ability to view the company as an outsider. After holding positions at Japan's Economic Planning Agency and a professorship at Tokyo Industrial University, Mr. Kosai joined the Japan Economic Research Center as its managing director. He was named chairman of the center in 1997. To enhance its status as a global organization, NEC has held an annual international symposium, the Council of International Advisors, since 1993 to gain insights from influential people in Japan and from overseas. Mr. Kosai became a member of this symposium in 1999 and served as its chairman at the most recent April 2000 gathering.

THE RIGHT STRENGTHS FOR THE INTERNET ERA

In April 2000, NEC realigned its operations along three in-house companies and a corporate headquarters to create a framework with the agility to respond to changing market undercurrents. Above all, NEC is prepared to compete on a global scale against companies concentrating in specific market sectors. Each in-house company brings together operations and sales; each company president oversees an integrated organization extending from development to manufacturing and sales. The headquarters is now charged exclusively with formulating company-wide strategies including Internet business plans, conducting corporate R&D and providing support to the in-house companies. To fulfill these roles, the head office has four components.

TOP MANAGEMENT SUPPORT STAFF—This unit assists top management to formulate and execute strategies for the entire NEC Group with the objective of maximizing NEC's corporate value.

OPERATIONS SUPPORT STAFF—A source of highly specialized services, these professionals assist in-house companies in such areas as advertising and procurement.

CORPORATE BUSINESS DEVELOPMENT—This organization is made up of NEC Laboratories and the Internet Business Promotion Division. The mission of the laboratories is to pursue research and development in two areas: core innovative technologies to create new business opportunities, and common technologies to advance and expand present businesses. Resources will be channeled to strategic fields in such areas as information, communications and semiconductors. The Internet is a particular focus, reflecting NEC's goal of becoming an Internet solution provider. By following this policy, NEC Laboratories will conduct R&D programs that are both futuristic and distinctive. Envisioning and fostering new Internet businesses spanning all in-house companies is the main task of the Internet Business Promotion Division. Plans are structured so that businesses that attain a certain level can be transferred to an in-house company or linked to a partner through an alliance.

CORPORATE SALES—Although sales activities now fall under the respective in-house companies, the head office retains this sales unit to support and coordinate marketing activities for major accounts.

Through this corporate organization, NEC has an effective platform for enhancing the collective power of NEC even as in-house companies are given greater autonomy.

NEC SOLUTIONS

NEC Solutions delivers a broad spectrum of e-commerce and Internet solutions mainly to companies and individuals worldwide. Our goal is to become a solution provider that meets customers' disparate needs. This will be achieved by tapping NEC's sophisticated systems development capabilities, which are grounded on Internet technologies and experience gained from running BIGLOBE, and by offering a full suite of services.

BIGLOBE

MAJOR BUSINESSES

- Systems integration business
- Platforms built around advanced technologies that support NEC's solution business
- PCs and personal information equipment businesses
- Network and support services businesses (BIGLOBE, outsourcing, maintenance services, others)

NEC NETWORKS

Through a strategic focus on Internet-related activities, NEC Networks offers end-to-end networking solutions principally to service providers around the world. We are a leading provider of next-generation networking solutions drawing on the optimum combination of Internet, mobile communications, photonic and digital broadcasting technologies. This support enables service providers to offer value-added services that lead to greater subscriber loyalty.

PROGRESSIVEUNITY

- Networking solutions for network operators and other service providers
- Networking solutions for broadcasters
- Networking solutions for government agencies and municipalities
- Networking solutions for enterprises

NEC ELECTRON DEVICES

NEC Electron Devices promotes device solution businesses essential to creating electronic equipment the Internet world requires. This company ranks second in the world semiconductor marketplace. It boasts cutting-edge skills in other fields as well: displays, electronic components and car electronics. Together, these capabilities represent a platform for assembling supreme device solutions for each client need.

BY YOUR SIDE

- Semiconductor business (memories, system LSIs and general-purpose semiconductors)
- Displays business (color LCDs, plasma display panels(PDPs), others)
- Electronic components business (energy devices, general-purpose electronic components, others)
- Automotive electronics modules business

NEC SOLUTIONS

AKINOBU KANASUGI
Company President

LAUNCH OF "iBestSolutions" INTERNET STRATEGY

Growing acceptance is making the Internet a suitable infrastructure for a burgeoning range of businesses. To grow and set themselves apart from competitors, companies must take their business models to the Internet. To assist them to do just that, we in November 1999 announced a new Internet solution framework dubbed "iBestSolutions."

iBestSolutions will offer three solution genres. First are solutions to increase efficiency. Second are solutions to assist clients succeed in the world of e-commerce. And third are solutions to support the creation of new businesses, even in fields outside a company's present sphere of operations. NEC Solutions will work closely with customers as a Web Integrator to create business models from the ground up.

FROM THE COMPANY PRESIDENT

NEC Solutions brings together NEC's IT-related organizations to function as a comprehensive provider of Internet solutions. Centered on BIGLOBE, one of the largest Internet service providers in Japan, we have abundant experience in systems integration and software businesses, cutting-edge hardware and value-added PCs, enabling us to meet the needs of the Internet era. Now we are strengthening and closely linking each of our businesses to deliver broad-based solutions to corporations and individuals.

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LEVERAGING BIGLOBE INTERNET SERVICE

Our goal is to transform BIGLOBE into a dynamic place where individuals and corporations can meet each other and create new businesses. This is why NEC Solutions aims to build an even bigger community of around 10 million members and provide support for business model creation.

During the fiscal year, NEC won an order from 7dream.com to work on an e-commerce project leveraging the Seven-Eleven Japan convenience store network. We also fortified services through alliances with several leading companies. Alliances with eBay Japan, which intends to become the largest online auction site in Japan, and Société Générale, to extend its SG Online securities trading service to Japan, were newsworthy actions.

STRENGTHENING SYSTEMS INTEGRATION BUSINESSES

NEC Solutions is striving to provide optimum solutions for a broad range of customers from government agencies and manufacturers to retailers and financial institutions. In recent times, more has been demanded of information systems. They must offer not only superior performance, but also expandability and support reliable operations around the clock. NEC Solutions has been quick to spot this trend. We are in an excellent position to capitalize on these opportunities: no other company is more skilled than NEC at building open systems centered on servers.

The core banking system requires the highest standards of reliability. In July 1999, NEC announced a new banking system, "BankingWeb21." This system is an open system built around servers that use a UNIX operating system. Advantages include an approximately 30 percent reduction in start-up costs compared to proprietary systems at financial institutions and a high degree of flexibility. With this system, a bank can more easily offer unique services and quickly introduce new products. In fiscal 2000, orders were received from three Japanese banks for BankingWeb21.

In February 2000, NEC Solutions forged an alliance with EMC Corporation, the world's leading manufacturer of disk arrays. The alliance calls for NEC Solutions to meld its solutions expertise with EMC's highly reliable products to expand its systems integration business.

Our basic philosophy is "Open and Global." We will supply best-fit solutions on a continuous basis as a leading company in the evolving Internet arena. To do this, we must go beyond organizational and national boundaries to team up with customers and other players. Deepening collaborative relationships with major customers, including Seven-Eleven Japan Co., Ltd., are crucial to creating new business paradigms in B to B (Business-to-Business) and B to C (Business-to-Consumer) e-commerce domains. Moreover, we will build our strength through business alliances with leading companies such as Hewlett-Packard Company, Oracle Corporation and Intel Corporation.

PLATFORM STRATEGY

When delivering sophisticated solutions to customers, the ability to offer hardware rooted in cutting-edge technologies represents an invaluable advantage. NEC Solutions boasts the leading world share in vector-processing supercomputers and is number one in Windows NT® servers in Japan. In the server field, where growth prospects are immense, NEC will aggressively develop servers using 64-bit microprocessors developed by Intel.

In fiscal 2000, NEC received a large order for e-commerce multimedia terminals from 7dream.com. Plans call for these terminals to be installed in approximately 8,000 Seven-Eleven convenience stores throughout Japan starting in October 2000.

REORGANIZING PC BUSINESSES

During the year, NEC Solutions worked to improve the profitability of its PC operations in Japan and overseas. In Japan, we introduced a supply chain management (SCM) system and increased outsourcing of production outside Japan. Overseas, NEC ceased North American PC operations targeted at consumers due to the poor outlook for profitability in the face of fierce competition. With this move, NEC has consolidated most of its worldwide PC and server operations, excluding those in Japan and China, in NEC Computers International B.V. In North America, we are focusing on PCs and servers for corporations.

From Left:
Manojkumar Kambath,
Jack Hwang,
Toru Miwa and
Mark Kennaley

Providing strategic information systems is another focus. For this, we will develop innovative mission-critical open systems such as BankingWeb21, a core banking system for the Internet age.

To expand business in these tumultuous times, we must embrace change and readily take on new challenges as well as create an open and innovative corporate culture. Our catchword, "Go Forward," embodies this spirit. It means we won't dwell on past accomplishments. Rather, we will keep our eyes firmly focused on the road ahead. By transforming ourselves and delivering new value to customers, we endeavor to raise our corporate value.

"Bases in the U.S., India, China and Japan are participating in the development of BankingWeb21, our new Global Banking System," says NEC's Toru Miwa, who is in charge of this project. "The four bases are linked by utilizing IT such as Internet and TV conferencing. Here at the San Jose center, we are working with such prominent partners as Hewlett-Packard, Oracle and BEA Systems. We have achieved reliability equivalent to a mainframe system. Service interruptions are only 50 seconds for restorations following a problem."

END-TO-END TOTAL NETWORK SOLUTION PROVIDER

Distinguishing NEC Networks is its expertise in all types of communication network technologies, whether optical, mobile, broadcasting or IP (Internet protocol). Bringing them all together enables the company to supply customers with end-to-end networking solutions.

NEC Networks is placing particular emphasis on two areas. One is W-CDMA (wideband code division multiple access) systems. The other is IP network systems that wed IP and optical networking technologies.

NEC NETWORKS

MINEO SUGIYAMA
Company President

W-CDMA, THE 3G OF MOBILE COMMUNICATIONS

The high-speed transmission capability of W-CDMA systems makes them ideal for handling data. This technology is expected to gain rapid acceptance as new services made possible by W-CDMA technology become available.

NEC boasts a large market share within Japan in both mobile communication systems and mobile phone handsets. From this base, NEC has been a pioneer in the development of W-CDMA systems and in promoting this technology as an international standard for 3G mobile communications.

In Japan, NTT DoCoMo, Inc. is slated to launch a W-CDMA service by the end of May 2001, the world's first large-scale commercial debut of 3G technology. NEC has been selected by NTT DoCoMo to supply handsets, radio access networks, including base transceiver stations and radio network controllers, and core networks. Moreover, NEC has been chosen as a provider of W-CDMA radio access networks and core networks by J-Phone Communications Co., Ltd.

With many countries overseas expected to adopt W-CDMA, NEC Networks is well positioned to capitalize on the enormous opportunities to expand its overseas business. One important step was the establishment in the United Kingdom of Mobisphere Limited to develop and market W-CDMA products. This company unites Siemens' broad European and Asian customer base using the GSM (Global System for Mobile Communications) mobile communications system with NEC's leadership in developing W-CDMA radio access network technology.

By drawing on the support of Siemens, NEC is carrying out field trials with Telecom Italia Mobile S.p.A., Europe's largest mobile phone carrier. The goal is to offer a UMTS (Universal Mobile Telecommunications System), a 3G mobile service grounded on W-CDMA technology, in Europe. In addition, NEC has been conducting UMTS tests with British Telecommunications plc (BT). This led to NEC's selection by one of BT's subsidiaries as its exclusive supplier for a commercial mobile communication system on the Isle of Man. NEC Networks is also targeting the Asian region. It plans to advance into Asia by leveraging its first-mover advantage acquired from NEC's involvement in Japan's W-CDMA system and experience in supplying wide range of equipment to Asian communications companies. With Siemens, the company has set its sights on being one of the top three suppliers of W-CDMA systems in the world.

FROM THE COMPANY PRESIDENT

The global markets for equipment and services for communication networks are undergoing rapid expansion and major change. NEC Networks was formed as a company that can focus on these markets by responding promptly and accurately to market shifts.

Our basic strategy for establishing a competitive advantage revolves around three themes. First we are concentrating on next-generation networks. We are organized to channel resources into future growth fields such as the Internet, mobile networks and digital broadcasting. Last year we announced

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IP NETWORK SYSTEM

The advent of the Internet age has sparked explosive growth in the volume of data traffic, particularly using IP. To cope with this expansion, countries the world over are faced with an urgent need to construct high-speed, broadband networks. Optical transmission and IP switching router technologies are key building blocks of next-generation networks.

As a global leader in DWDM systems, which dramatically increase the capacity of fiber-optic cables, NEC Networks is a step ahead of the pack in this critical field.

NEC has already captured many orders for large-scale DWDM systems. During the fiscal year, NEC overcame intense competition to win orders for 64-channel DWDM systems from AT&T Corp., the largest U.S. long-distance carrier. Further demonstrating its leadership, NEC in June 1999 announced the development of a revolutionary WDM ring system. The system features the world's first WDM restoration function, which enables IP over WDM, thus making it possible to connect IP routers directly to a WDM system. Prior to this breakthrough, a SONET (synchronous optical network) multiplexer was needed to perform this function, resulting in a complex network architecture. Furthermore, in April 2000 NEC was awarded the contract to supply DWDM systems for fiber-optic submarine cables for the Asia-Pacific Cable Network 2 (APCN2) project, an expansive network linking countries in the Asia-Pacific region. In May 2000, NEC began marketing a DWDM system with a maximum transmission capacity of 1.6Tbps (10Gbps (OC-192) x 160 channels) over a single fiber, one of the highest capacities in the world. Research is now proceeding on a 40Gbps (OC-768) x 80 channel DWDM system with a maximum capacity of 3.2Tbps.

In the field of IP switching routers, NEC unveiled a large-scale carrier-class IP switching router in May 2000. The unit supports real-time applications and delivers unparalleled quality. To preserve its prominent position in IP network systems, NEC Networks will concentrate on developing optical networking technologies that dramatically expand network capacity.

Underpinned by the ProgressiveUnity concept, NEC Networks will supply solutions enabling clients to migrate to next-generation networks while making efficient use of existing equipment.
The goal is growth in sales and earnings through the provision of solutions that offer highly reliable next-generation broadband networks suitable for real-time communications.

"ProgressiveUnity," NEC's concept for next-generation communications networks. We intend to accelerate the pace at which we develop products and deliver solutions based on this concept.

The second theme is crafting a solutions business. Increasingly, software and services are offering more opportunities to add value than hardware. That's why we are transforming ourselves into a provider of network solutions that integrate all elements of a network, hardware and software alike. We are steadily expanding our solutions business in networks for companies in the U.S. and in the field of central office switching systems. To step up the pace of this transformation,

Shizuko Kanegae

Shizuko Kanegae of NEC finds NTT DoCoMo's i-mode useful in a variety of sales activities. "The i-mode is my mobile Internet. I can receive e-mail from the office when I'm visiting a customer and can't make a phone call. It's also an easy way to check news and stock prices. The big display on NEC's N502i folding handset has room for lots of text and pictures. The handset's melodies for incoming calls sound great, too."

we will refine our ability to integrate networks and propose new network services. As we do this, we will put in place the required organizational framework.

Global business expansion is our third core theme. Over the medium term, we aim to raise overseas business from the current 30 percent to about 50 percent of our total sales by enlarging operations in strategic growth areas. Among them are the third generation (3G) mobile communications systems in Europe and Asia and DWDM (dense wavelength division multiplexing) systems in North America.

By executing this strategy quickly, we hope to stake out a strong position in the world marketplace and raise our corporate value.

NEC ELECTRON DEVICES

KANJI SUGIHARA
Company President

DEVICE SOLUTIONS—CONTRIBUTING TO THE INTERNET SOCIETY

NEC Electron Devices' aim is to supply the electron devices to create the electronic equipment the Internet world will require. Simply put, its role is to provide device solutions.

In April 2000, all electron device sales activities in Japan and overseas were brought under the umbrella of NEC Electron Devices. The result is a single, global point of contact to serve local and overseas customers who are themselves pursuing global strategies. This will make possible the faster and more reliable delivery of solutions specific to customer needs.

FROM THE COMPANY PRESIDENT

NEC Electron Devices provides leading-edge device solutions to its customers. Our ability to heighten customer satisfaction by increasing value of our customers through our products and services is most important in our business. Our biggest asset—and core competence—is the long-term relationship with our customers. NEC has for many years held the second spot in the world semiconductor marketplace. This high standing is testament to our unyielding commitment to meeting customer demands in quality of products and services such as delivery, supply and other factors.

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The markets the company operates in change dramatically. This makes speedy decision making essential. NEC Electron Devices is structured so that strategic decisions on capital spending can be made quickly in response to market changes. Furthermore, the company will enter into alliances whenever appropriate.

A STEP AHEAD IN STRATEGIC FIELDS

NEC Electron Devices is focusing on providing solutions in five strategic fields: digital home appliances, mobile phones, communications networks, automobiles, PCs and PC peripherals.

In digital home appliances, NEC already has a proven track record. The company's "EMMA" chips are used by manufacturers of set-top boxes for receiving digital broadcasts in the United Kingdom. The "EMMA" chip is a cutting-edge system LSI. This "system on a chip" includes a high-performance microprocessor, a MPEG2 decoder and a graphics processor. Looking ahead, the company expects sales of this product to expand significantly. Furthermore, Nintendo Co., Ltd. has decided to use NEC's graphics LSI incorporating embedded DRAM for its next-generation game console. Color PDPs are another area where the company has taken the lead in technological development and foresees rising demand.

In mobile phones, NEC's baseband LSI, which is compact and has low power consumption, is used in i-mode handsets in Japan. Building on this, NEC Electron Devices aims to establish itself as the world leader in mobile phone semiconductors as next-generation W-CDMA mobile telecommunications services become available globally.

In semiconductor technology for communications networks, NEC Electron Devices is concentrating on three areas. First is USB (Universal Serial Bus) interface technology, which enables computers to automatically "recognize" peripherals immediately after they are connected. Second is the Bluetooth standard for short-distance, wireless data communications, which enables the wireless connection of digital equipment. Third is Java, a technology standard designed for the network era that does not rely on any hardware platform. NEC is devoting itself to providing single-chip solutions to support all these emerging technologies.

In components for automobiles, NEC boasts a string of successes including control modules for anti-lock braking systems (ABS) and air bags. As demand rises for cars designed to be compatible with the environment, there is a growing need

Client trust has been built around a policy of forming "win-win" relationships. This spirit will continue to define the company's management going forward. Backed by advanced technologies we will respond with speed and agility to customers' exacting demands. In a word, we are positioning ourselves as a comprehensive device solution provider.

To strengthen "win-win" relationships with customers, we have formulated three strategies. The first is bolstering technological capabilities. The establishment of NEC-Hitachi Memory, Inc. is one example of actions to strengthen

for high-performance microcomputers for powertrain control systems. The Toyota Crown employs an NEC system LSI built around a 32-bit RISC microcomputer, an area where NEC excels.

NEC Electron Devices has a high market share in logic ICs for printers. To respond to rising demand for color LCDs for PCs and LCD drivers and tantalum capacitors for PCs and mobile phones, the company is stepping up its production capacity. Moreover, NEC Electron Devices has succeeded in developing the world's first proton polymer battery which offers high power equivalent to lead batteries and ecological advantage. Demand for this battery is expected to rise in the mobile phone area.

STRENGTHENING CORE TECHNOLOGIES

In the electron device business, technological development and design capabilities will be key competitive edges. NEC's technological expertise is epitomized by the UX4 Multi-Feature Process for system LSIs that employs 0.13-micron CMOS (complimentary metal oxide semiconductors) process technology, the most advanced in the world. The main advantage is the ability to use a single process to make three entirely different types of transistors—high-speed, standard and low power consumption. Moreoever, with the added portability of IP cores, the development time for high-performance, multifunctional system LSIs has been shortened considerably.

STRATEGIC ALLIANCES TO STRENGTHEN THE DRAM BUSINESS

NEC-Hitachi Memory, a joint venture with Hitachi, Ltd. commenced operations in April 2000. By wedding the sophisticated technologies of both companies, technological development can be further accelerated and cost-competitive and high quality products can be rolled out sooner. NEC-Hitachi Memory is developing 256Mbit and 512Mbit DRAMs employing advanced 0.13-micron process technology with the aim of starting full-scale output in 2001. Both NEC and Hitachi intend to transfer their sales operations to the joint venture by January 2001 to market both the jointly-developed products as well as their existing DRAM products under a new, common brand.

**From right:
Tokuhisa Nomura, Manager,
Electronics Engineering Div. II,
Toyota Motor Corporation and
Takayuki Ono, Manager,
Electronics Engineering Department 1,
DENSO Corporation**

the development of next-generation DRAMs. As a second strategy, we will strengthen our software and applications capabilities. To complement our strengths, we will actively seek out alliances in this field. Thirdly, we will move quickly to expand in markets now on a steep growth curve such as PDPs and rechargeable lithium-ion batteries. Putting in place the production infrastructure to meet client demands is an integral part of this drive.

I believe this customer-focus approach will translate directly into greater corporate value.

Tokuhisa Nomura of Toyota Motor Corporation worked with DENSO Corporation and NEC on a new powertrain control ECU (Electronic Control Unit) for the Toyota Crown. "Today's customers expect vehicles with environmentally friendly engines and transmissions," notes Mr. Nomura. "A high-performance microcomputer is essential to creating a sophisticated powertrain control system. At the same time, we needed the affordable cost of home electronics devices along with the absolute reliability required for the aerospace industry. NEC is working side-by-side with us to accomplish this difficult goal."

FINANCIAL SECTION

CONTENTS

SIX-YEAR SUMMARY

	In millions of yen						In thousands of U.S. dollars
	1995	1996	1997	1998	1999	**2000**	**2000**
For the fiscal year:							
Sales and other income	¥3,829,538	¥4,427,272	¥5,064,872	¥4,970,686	¥4,815,791	**¥5,209,891**	**$50,581,466**
Net sales	3,769,357	4,397,192	4,948,437	4,901,122	4,759,412	**4,991,447**	**48,460,650**
Operating income	155,769	247,802	183,781	190,404	3,139	**110,414**	**1,071,981**
Income (loss) before income taxes	74,724	151,318	121,222	90,993	(224,726)	**30,183**	**293,039**
Provision (benefit) for income taxes	51,448	76,376	24,900	41,514	(72,988)	**32,484**	**315,379**
Net income (loss)	35,873	76,665	92,838	47,417	(151,261)	**10,416**	**101,126**
Capital expenditures	300,220	401,999	405,772	385,346	253,623	**281,639**	**2,734,359**
Depreciation	222,780	260,247	272,933	285,862	306,442	**260,942**	**2,533,417**
R&D expenses	266,006	298,713	348,537	381,239	346,215	**315,163**	**3,059,835**
Per share data (in yen and U.S. dollars):							
Per share of common stock:							
Net income (loss)							
Basic	23.29	49.66	59.86	29.78	(94.49)	**6.40**	**0.062**
Diluted	22.70	44.85	52.06	27.36	(94.49)	**6.40**	**0.062**
Cash dividends	10.00	11.00	11.00	11.00	8.50	**6.00**	**0.058**
Per American Depositary Share, each representing 5 shares of common stock:							
Net income (loss)							
Basic	116	248	299	149	(472)	**32**	**0.31**
Diluted	113	224	260	137	(472)	**32**	**0.31**
Cash dividends	50	55	55	55	42.5	**30**	**0.29**
At year-end:							
Total assets	4,362,148	4,977,808	4,940,995	5,074,478	5,045,934	**4,608,964**	**44,747,223**
Shareholders' equity	919,236	1,066,494	1,105,716	1,162,287	927,345	**976,853**	**9,484,010**
Employees	151,069	152,719	151,966	152,450	157,773	**154,787**	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥103=U.S.$1.
2. NEC adopted SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" beginning with the fiscal year ended March 31, 2000, and has restated its prior years' consolidated financial statements.

FINANCIAL REVIEW

NEC'S MANAGEMENT INNOVATION

During fiscal 2000, the year ended March 31, 2000, NEC stepped up the pace of allocating resources to high-potential Internet solution businesses. At the same time, many actions were taken to bring about fundamental reforms in NEC's business structure, cost structure, financial structure and management systems.

Business structure—Several non-performing businesses were restructured during the year. Among the major actions were the restructuring of NEC Home Electronics, Ltd. by such measures as establishment of a joint venture company for display monitors with Mitsubishi Electric Corporation (refer to results by operating segment on pages 27 to 29 for details), the withdrawal of U.S.-based Packard Bell NEC, Inc. from the consumer PC business (refer to the results by operating segment on pages 27 to 29 and Note 4 to the Notes to Consolidated Financial Statements on pages 38 to 40), the sale of the rental business for consumer appliances and other products operated by NEC Home Electronics Lease Co., Ltd., and the sale of Nippon Electric Industry Co., Ltd., a manufacturer of power supplies and other products. In addition, NEC established a joint venture company with Hitachi, Ltd. for development and sale of DRAMs as one way to become more competitive in the semiconductor field.

Cost structure—On a consolidated basis, there was a net reduction in employment of approximately 7,000, excluding the effect of newly consolidated companies. Furthermore, NEC was more selective in R&D activities and more focused in capital expenditures. As a result, fixed expenses were reduced from 44% to 40% of net sales in fiscal 2000.

Financial structure—NEC was able to significantly reduce interest-bearing debt in fiscal 2000. Among the many actions behind this achievement were: higher earnings; an increase in inventory turnover; securitization of receivables; sale of securities; securitization of the head office building; and the use of operating leases for some semiconductor-related capital expenditures. The result was a reduction in interest-bearing debt from 2.56 to 2.00 times equity.

Management structure—In April 2000, NEC adopted a new organization to facilitate the quick decision-making essential to responding to a rapidly evolving global marketplace. At the heart of this organization are three in-house companies. Most of NEC's operations now belong to one of these three companies. NEC Solutions provides Internet solutions mainly to corporate and individual customers. NEC Networks provides Internet solutions to network service operators such as communications carriers and broadcasters. NEC Electron Devices provides the device solutions required by equipment manufacturers. In addition to these changes, NEC reduced the size of the board of directors to approximately half, appointed corporate officers and clearly defined their responsibilities. While the board of directors is responsible for formulating fundamental strategies and overseeing each in-house company, corporate officers are responsible for executing operations. These moves improve the transparency of NEC's operations and further enable decisions to be reached quickly.

CONSOLIDATED RESULTS

	In billions of yen			In millions of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Net sales	¥4,901.1	¥4,759.4	**¥4,991.4**	**$48,461**
Cost of sales	3,409.6	3,520.8	**3,664.5**	**35,578**
Selling, general and administrative expenses	1,301.1	1,235.4	**1,216.5**	**11,811**
Operating income	190.4	3.1	**110.4**	**1,072**
Income (loss) before income taxes	91.0	(224.7)	**30.2**	**293**
Net income (loss)	47.4	(151.3)	**10.4**	**101**

Sales

In the world economy, though doubts were cast on how the U.S. economy will fare in the future, it continued to expand throughout the year. The European economy too saw favorable trends, with the slowing growth of the previous year giving way to renewed expansion. In Japan, weak consumer spending continued to hold

back the economy, but the slump in private sector capital investments leveled out and investments in public works added new strength to the economy. Exports also increased due to the revitalized Asian economy, pointing toward a gradual recovery.

The electronics industry saw steady growth in the United States in both information and communication equipment and related services. Asia and South America succeeded in overcoming their economic crises, but communications carriers continued to hold back on capital spending. In Japan, network-related capital spending slumped due to a temporary downturn in demand from communications carriers. Corporate IT capital spending increased only gradually due to Japan's prolonged economic downturn and the effect of Y2K concerns. Consumer spending in PCs, mobile phones and digital home appliances grew steadily. The semiconductor market also made solid gains, with the drop in memory prices in the first half of the year being offset by a surge in demand that caused a supply shortage in the year's second half.

Due to the above factors, consolidated net sales increased 5% to ¥4,991.4 billion ($48,461 million). Looking at sales by operating segment, which include intersegment transactions, NEC Networks reported a 3% decline in sales. However, sales of NEC Solutions rose 11% and sales of NEC Electron Devices increased 7%.

By sales attributable to the location of customers, sales in Japan increased by 5% to ¥3,489.0 billion ($33,874 million). Although sales of equipment to communications carriers were lower, PCs and mobile phones both performed well. Further contributing to growth were semiconductors and color LCDs. Overseas sales climbed 4% to ¥1,502.4 billion ($14,586 million). The first full-year contribution of Packard Bell NEC, which became a consolidated subsidiary in October 1998 was a major factor contributing to the growth.

Cost of Sales

Cost of sales rose by ¥143.7 billion to ¥3,664.5 billion ($35,578 million). As a proportion of net sales, cost of sales decreased from 74.0% to 73.4%. A variety of factors were responsible for this improvement, including reductions in fixed costs, the benefits of more efficient supply chain management and higher sales prices for memories.

Selling, General and Administrative Expenses

Selling, general and administrative expenses fell by ¥18.9 billion to ¥1,216.5 billion ($11,811 million) and decreased from 26.0% to 24.4% of net sales. This improvement was chiefly attributable to greater selectivity in R&D investments and reductions in sales expenses, both part of actions to improve NEC's cost structure.

R&D expenses were down 9% to ¥315.2 billion ($3,060 million), representing 6.3% of net sales. Greater selectivity in R&D programs and the resultant gains in efficiency were a major factor. Particular emphasis was placed on developing innovative technology that will be a basis of businesses in Internet-related fields, a market where significant growth is foreseen.

Operating Income

Operating income rose by ¥107.3 billion from ¥3.1 billion to ¥110.4 billion ($1,072 million). As a percentage of net sales, operating income increased from 0.1% to 2.2% (refer to results by operating segment on pages 27 to 29 for details).

Interest, Gain on Securities Sold, Dividends and Others (Other Income)

Other income increased by ¥162.1 billion over the ¥56.4 billion of the previous year to ¥218.4 billion ($2,121 million). This improvement was mainly attributable to gains on the sale of securities and a gain on the securitization of the head office building to generate funds to offset restructuring expenses and refunds to the Defense Agency and the Defense Facilities Administration Agency of Japan.

Other Expenses

Other expenses rose by ¥11.4 billion to ¥237.0 billion ($2,301 million). This primarily reflects restructuring expenses, including actions taken at NEC Home Electronics and Packard Bell NEC, refunds to the Defense Agency and the Defense Facilities Administration Agency of Japan, and valuation losses on foreign currency-denominated receivables due to the yen's appreciation.

Income Before Income Taxes

Fiscal 2000 saw a reversal of fiscal 1999's loss before income taxes of ¥224.7 billion. NEC posted income

before income taxes of ¥30.2 billion ($293 million), an improvement of ¥254.9 billion. As outlined above, restructuring expenses were recorded, but there were also significant improvements in operating income and NEC recorded gains on the sales of securities and the securitization of its head office building.

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes was ¥32.5 billion ($315 million), resulting in an effective tax rate (ratio of provision (benefit) for income taxes to income before income taxes) of 107.6%, significantly higher than Japan's normal statutory tax rate of 42%. This is the result of the application of tax rates that are lower than in Japan for the calculation of deferred tax assets at unprofitable overseas subsidiaries and of goodwill amortization that is not recognized as an expense for tax purposes.

Equity in Earnings (Losses) of Affiliated Companies

Equity in earnings of affiliated companies increased by ¥16.4 billion over the previous year to ¥11.3 billion ($110 million). This was mainly due to improvements in the performance of equity-method affiliates. Another key factor was the inclusion in fiscal 1999 of a revaluation loss at an equity-method affiliate in Brazil resulting from that country's currency devaluation.

Net Income (Loss)

Net income for the year came to ¥10.4 billion ($101 million) compared with the net loss of ¥151.3 billion in fiscal 1999. The net income to net sales ratio was 0.2%, and the ROE was 1.1%. Basic net income per share was ¥6.4 ($0.062), and diluted net income per share was ¥6.4 ($0.062).

Dividends

Cash dividends per share applicable to fiscal 2000 were ¥6.0 ($0.058), ¥2.5 less than in fiscal 1999. NEC paid an interim dividend of ¥3 in December 1999 and a term-end dividend of ¥3 in June 2000.

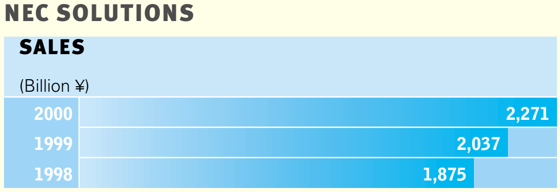
Capital Expenditures

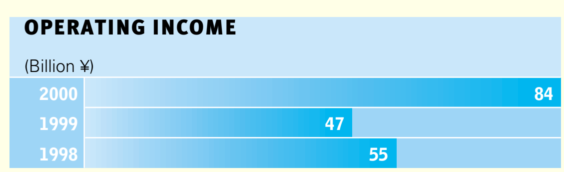
Capital expenditures increased 11% to ¥281.6 billion ($2,734 million). Efforts were made to conduct capital investment projects more efficiently. Furthermore, NEC adopted a more focused stance with regard to capital expenditures, by targeting the semiconductor field. Major fiscal 2000 semiconductor projects included construction of 0.13-micron process production lines for system LSIs at NEC Yamagata, Ltd. and NEC Kyushu, Ltd. and a line-width shrinkage at an 8-inch wafer line and other measures at NEC Hiroshima, Ltd.

RESULTS BY OPERATING SEGMENT

Due to the April 2000 adoption of an in-house company organization, NEC has revised its business segments used for reporting operating results. The following overview of results by segment is based on the new segments. Sales and operating income figures for each segment include intersegment transactions (see Note 21 of the Notes to Consolidated Financial Statements on pages 50 to 52).

NEC SOLUTIONS





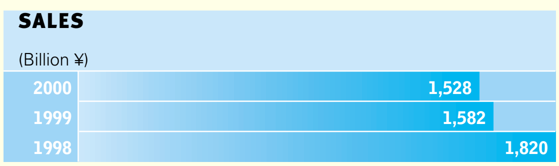
Sales

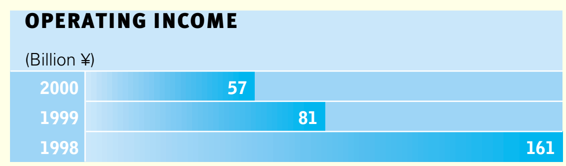
Sales rose 11% to ¥2,270.6 billion ($22,045 million). The delay in a domestic economic recovery and the Y2K problem postponed corporate investments in IT and related fields, which resulted in software services achieving only a slight rise in sales. In hardware, sales of mainframes were sluggish, but open-system servers and workstations turned in a solid performance. Domestic sales of PCs also grew steadily, supported by the Internet boom. The sales increase was also due to the first full-year contributions of Packard Bell NEC, which was consolidated in the second half of fiscal 1999, and NEC Computer Storage Philippines, Inc., which was consolidated in the first half of fiscal 2000.

Operating Income
Operating income posted a dramatic 78% rise to ¥84.4 billion ($820 million). Profitability improved in all categories from software and services to hardware. As a result, the operating income to sales ratio increased from 2.3% to 3.7%. In software and services, rising productivity in systems integration services and greater selectivity in software development contributed to an improvement in profitability. In hardware, hard-disk drives suffered a decline in profitability due to a steep drop in prices, but there was a significant increase in PC operating income. This was due to the closing down of the unprofitable U.S. consumer PC operations and benefits from supply chain management efficiency and cost containment initiatives in Japan.

Restructuring of NEC's North American PC Operations
Packard Bell NEC has reported consistent losses due to the extremely competitive conditions in the North American consumer PC market. To deal with the difficult operating environment, a number of steps were taken, including the introduction of new management, resulting in improvement in profitability in fiscal 2000. However, in management's judgement, the intensely competitive market would make the attainment of operating targets highly unlikely. As a result, the decision was made to restructure Packard Bell NEC and withdraw from the consumer PC business in North America.

NEC NETWORKS

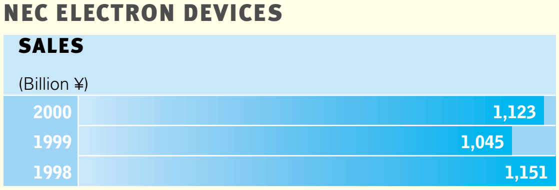


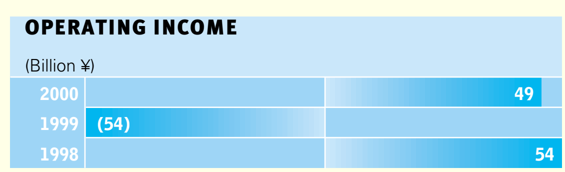


Sales
Sales at NEC Networks decreased 3% to ¥1,527.8 billion ($14,833 million). Japan's capital investments in mobile communications infrastructure remained healthy, but investments in conventional wireline network equipment declined and investments in next-generation network equipment for the large part did not solidify. This environment brought down sales in communications infrastructure equipment. Overseas, sales of fiber-optic network equipment played a central role in delivering sound results in the United States. However, lower capital investments in the communications industry in Asia and Brazil reduced total overseas sales. Sales of mobile phones were exceptionally strong, as handsets compatible with NTT DoCoMo's i-mode system in Japan and GSM handsets in Europe sold well.

Operating Income
Operating income fell 30% to ¥57.1 billion ($554 million) and the operating margin dropped from 5.1% to 3.7%. These unfavorable results were due to the continued slump in demand for communications infrastructure equipment in Japan, Asia and Brazil. Offsetting these declines somewhat was solid growth in sales of mobile phones.

NEC ELECTRON DEVICES





Sales
Supported by demand for PCs, mobile phones and digital home appliances, sales climbed 7% to ¥1,122.8 billion ($10,901 million). Increasing sales of general-purpose semiconductors such as driver LSIs for color LCDs and high-frequency devices for use in mobile phones was one reason. LCDs used in PCs, tantalum capacitors for use in PCs and mobile phones, and prismatic rechargeable lithium-ion batteries also achieved higher sales. Memory sales increased slightly due to the rebound in prices in the second half of the year.

Operating Income
Operating income was ¥49.4 billion ($480 million) compared with the previous year's operating loss of ¥54.5 billion. The operating income ratio came to 4.4%. This performance was the result of growth in sales of general-purpose semiconductors, color LCDs and electronic components, in addition to rising memory prices.

OTHERS

Sales
Sales in this segment are generated by such products as monitors, LCD projectors, electronic measuring and testing instruments, electronic appliances for the home as well as construction services of information and network systems. Sales amounted to ¥723.9 billion ($7,028 million) in fiscal 2000.

Operating Income (Loss)
The operating loss in this segment decreased by ¥6.7 billion over the previous year to ¥2.7 billion ($27 million) due to the improving profitability of monitors and semiconductor manufacturing equipment.

Restructuring of NEC Home Electronics
NEC Home Electronics has been staging a gradual withdrawal from the business area of consumer electronics appliances. During this time, the company shifted its emphasis to IT-related products such as monitors, CD-ROM drives and LCD projectors. In recent years however, these markets too have become vastly more competitive due in large part to the entry of manufacturers based in Taiwan and Korea. In order to prevail in the competition with these specialized companies, NEC Home Electronics has implemented the following measures to create a slim, agile organization and clarify accountability for meeting operating targets.

(1) Monitor business
Display monitor operations were transferred to NEC-Mitsubishi Electric Visual Systems Corporation, which was established in January 2000 by NEC and Mitsubishi Electric Corporation.

(2) Lighting business
NEC Lighting, Ltd. was established in January 2000 to assume responsibility for lighting and other products.

(3) Image interface business
NEC Viewtechnology, Ltd. was established in January 2000 to take over image interface business such as LCD projectors.

(4) Optical media business
Responsibility for optical media products such as CD-ROM drives were transferred to NEC Corporation in April 2000.

LIQUIDITY AND CAPITAL RESOURCES

Financing and Liquidity Management
During fiscal 2000, NEC made considerable progress in its financial restructuring program aimed at reducing interest-bearing debt by ¥600.0 billion over the three-year period ending in March 2002. Increasing profitability, further enforcing supply chain management techniques to streamline inventories, securitizing receivables and the head office building, selling securities and using operating leases for some semiconductor manufacturing equipment all contributed to reducing interest-bearing debt by ¥418.4 billion in fiscal 2000 to ¥1,957.2 billion ($19,002 million). The debt to equity ratio improved from 2.56 as of March 31, 1999 to 2.00 at the end of fiscal 2000. Moreover, as a result of these actions, NEC was able to diversify financing methods.

In financing operations, NEC is pursuing a policy of increasing emphasis on procuring long-term funds and on the use of capital market instruments. Long-term funding accounted for 68% of total funds procured as of March 31, 2000, an improvement from 54% two years ago. This shift increased the stability of NEC's funding structure and made it possible to take advantage of the current low interest-rate environment in Japan. The increasing use of capital market instruments raised the share of bonds and other debt securities from 44% of total finance made two years ago to 56% as of March 31, 2000.

With regard to long-term financing, NEC issued medium-term note (MTN) at overseas mainly. NEC's U.S. financial subsidiary set up a $500 million MTN program and NEC Corporation and the U.K. financial subsidiary together established a $2,000 million MTN program. With regard to short-term financing, NEC relies primarily on commercial paper (CP) in Japan to preserve the necessary flexibility. NEC Corporation has a ¥500.0 billion CP program, and the maximum month-end balance during fiscal 2000 under this program was ¥413.0 billion. NEC's U.S. financial subsidiary also has a $500 million CP program.

Regarding liquidity, it is NEC's policy to maintain a level of cash and cash equivalents, including committed credit facilities with financial institutions, that is equal to about one month of net sales. Time deposits and other investments included in cash and cash equivalents are limited to highly liquid instruments with the protection of principal. Committed credit facilities established with financial institutions in Japan and overseas amounted to ¥200.0 billion as of March 31, 2000. NEC has established a cash management system in Japan, North America and Europe. This makes possible the efficient use of capital through the centralized financing and treasury operations at NEC Corporation and each of the regional financing subsidiaries. Moreover, receivables among NEC's subsidiaries and between these subsidiaries and NEC Corporation are netted out within North America, Europe and Asia.

Assets, Liabilities and Shareholders' Equity

Total assets at the end of fiscal 2000 amounted to ¥4,609.0 billion ($44,747 million), ¥437.0 billion less than at the end of fiscal 1999. This was principally due to the more efficient use of inventories and receivables, greater selectivity in capital expenditures, the use of operating leases for some equipment, and the restructuring of NEC's operations. These changes made it possible to utilize assets more productively.

Current assets were ¥2,153.5 billion ($20,908 million), a decrease of ¥267.2 billion. Cash and cash equivalents increased ¥54.3 billion to ¥374.0 billion ($3,631 million). Notes and accounts receivable, trade after allowance for doubtful notes and accounts deducted, decreased ¥248.9 billion to ¥877.2 billion ($8,516 million) as a result of greater efficiency in the collection of amounts due and the securitization of these assets. Inventories were trimmed by ¥63.7 billion due to improved efficiency in procurement activities and the expanded adoption of supply chain management, amounting to ¥747.6 billion ($7,258 million).

Long-term receivables and investments climbed ¥81.5 billion to ¥884.8 billion ($8,591 million). This was the result of a ¥81.4 billion increase in marketable securities to ¥487.0 billion ($4,728 million) as stock prices in Japan rose.

Property, plant and equipment decreased ¥186.1 billion to ¥1,115.3 billion ($10,828 million) due to the adoption of a more focused capital expenditure policy, the securitization of the head office building and the use of leases for some equipment.

Other assets totaled ¥455.4 billion ($4,421 million), a decrease of ¥65.2 billion. The decrease was attributable to the decline in the additional minimum pension liability adjustment included in intangible assets due in accordance with accounting principles generally accepted in the United States, as a result of a revision in estimated pension payments and a high return on pension plan assets.

Current and long-term liabilities decreased ¥449.0 billion to ¥3,567.7 billion ($34,637 million). Interest-bearing debt, the sum of short-term borrowings, the current portion of long-term debt and long-term debt, was reduced by ¥418.4 billion to ¥1,957.2 billion ($19,002 million). This reduction was made possible by an improvement in operating cash flows and by steps to improve NEC's financial position, such as the securitization of the head office building.

Accrued pension and severance costs declined ¥79.7 billion to ¥261.3 billion ($2,537 million) due mainly to a revision in estimated pension payments.

Shareholders' equity increased ¥49.5 billion to ¥976.9 billion ($9,484 million). This was mainly the result of an increase in retained earnings and an increase of ¥45.4 billion in accumulated other comprehensive income, which is the sum of cumulative foreign currency translation adjustments, the minimum pension liability adjustment and unrealized gains on investment securities. The fiscal 2000 increase in this income was primarily attributable to an increase of ¥41.5 billion in unrealized gains as stock prices in Japan rose during the year. These factors resulted in an equity to capitalization ratio of 21.2% as of March 31, 2000 compared with 18.4% at the previous fiscal year-end.

Cash Flows

Year ended March 31	In billions of yen 1998	1999	2000	In millions of U.S. dollars 2000
Net cash provided by (used in):				
Operating activities	¥ 296.1	¥ 114.8	**¥ 458.5**	**$ 4,452**
Investing activities	(513.6)	(328.6)	**90.4**	**878**
Financing activities	186.5	220.9	**(487.5)**	**(4,733)**
Effect of exchange rate changes on cash and cash equivalents	(0.6)	(6.4)	**(7.2)**	**(70)**
Net change in cash and cash equivalents	(31.5)	0.7	**54.3**	**527**

Cash and cash equivalents at the end of fiscal 2000 amounted to ¥374.0 billion ($3,631 million), an increase of ¥54.3 billion. This includes exchange rate changes, which had the net effect of reducing cash by ¥7.2 billion.

Net cash provided by operating activities increased ¥343.7 billion to ¥458.5 billion ($4,452 million) due in large part to the return to profitability. In addition, operating cash flows benefited from measures to use assets more efficiently and securitize receivables. Depreciation declined ¥45.5 billion to ¥260.9 billion ($2,533 million) as NEC conducted a more focused capital expenditure program and used operating leases for some equipment.

Net cash provided by investing activities was ¥90.4 billion ($878 million) compared with net cash used of ¥328.6 billion in fiscal 1999. This was mainly attributable to becoming more selective in approving capital expenditures, securitizing the head office building, selling securities and using operating leases for some equipment.

Net cash used in financing activities was ¥487.5 billion ($4,733 million) compared with net cash provided of ¥220.9 billion in fiscal 1999. This was the result of repayments of short-term borrowings and long-term debt as part of NEC's financial restructuring program aimed at reducing interest-bearing debt by ¥600.0 billion over the three-year period ending in March 2002.

CONSOLIDATED SUBSIDIARIES

As of March 31, 2000, there were 165 consolidated subsidiaries, three more than one year earlier. Eight subsidiaries were newly consolidated and five were eliminated from consolidation.

Newly consolidated subsidiaries:

Japan	NEC Mobile Energy Corporation
Overseas	NEC Computer Storage Philippines, Inc.
	Five subsidiaries of NEC Computers International B.V.
	NEC do Brasil S.A.

Eliminated from consolidation:

Japan	NEC Tochigi, Ltd.
	NEC Software Wakayama, Ltd.
Overseas	Two subsidiaries of NEC Computers International B.V.
	Swan Technologies Corporation (a subsidiary of Packard Bell NEC, Inc.)

CONSOLIDATED BALANCE SHEETS

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES
As of March 31, 1999 and 2000

	In millions of yen		In thousands of U.S. dollars (Note 3)
ASSETS	1999	**2000**	**2000**
Current assets:			
Cash and cash equivalents	¥ 319,669	**¥ 373,967**	**$ 3,630,747**
Notes and accounts receivable, trade (Note 8)	1,143,320	**903,576**	**8,772,583**
Allowance for doubtful notes and accounts	(17,273)	**(26,415)**	**(256,456)**
Inventories (Note 6)	811,317	**747,609**	**7,258,340**
Deferred tax assets (Note 10)	101,907	**73,802**	**716,524**
Prepaid expenses and other current assets	61,791	**80,992**	**786,330**
Total current assets	2,420,731	**2,153,531**	**20,908,068**
Long-term receivables and investments:			
Marketable securities (Notes 5 and 8)	405,585	**486,959**	**4,727,757**
Investments and advances (Notes 4 and 5) —			
Affiliated companies	168,812	**160,288**	**1,556,194**
Other	186,983	**184,563**	**1,791,874**
Long-term receivables, trade (Note 8)	41,952	**53,018**	**514,738**
	803,332	**884,828**	**8,590,563**
Property, plant and equipment (Notes 8 and 18):			
Land	113,265	**112,731**	**1,094,476**
Buildings	952,907	**885,842**	**8,600,408**
Machinery and equipment	2,497,035	**2,277,678**	**22,113,378**
Construction in progress	62,904	**71,075**	**690,048**
	3,626,111	**3,347,326**	**32,498,310**
Accumulated depreciation	(2,324,781)	**(2,232,075)**	**(21,670,631)**
	1,301,330	**1,115,251**	**10,827,679**
Other assets:			
Deferred tax assets (Note 10)	128,450	**128,025**	**1,242,961**
Intangible assets (Note 7)	306,457	**233,056**	**2,262,680**
Other	85,634	**94,273**	**915,272**
	520,541	**455,354**	**4,420,913**
	¥ 5,045,934	**¥ 4,608,964**	**$ 44,747,223**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	In millions of yen 1999	In millions of yen 2000	In thousands of U.S. dollars (Note 3) 2000
Current liabilities:			
Short-term borrowings (Note 8)	¥ 548,135	**¥ 376,487**	**$ 3,655,213**
Current portion of long-term debt (Note 8)	240,356	**254,565**	**2,471,505**
Notes and accounts payable, trade	837,349	**906,679**	**8,802,709**
Accrued taxes on income	22,129	**17,438**	**169,301**
Other current liabilities	437,453	**400,988**	**3,893,087**
Total current liabilities	2,085,422	**1,956,157**	**18,991,815**
Long-term liabilities:			
Long-term debt (Note 8)	1,587,057	**1,326,138**	**12,875,126**
Accrued pension and severance costs (Note 9)	341,045	**261,301**	**2,536,903**
Other	3,184	**24,065**	**233,641**
	1,931,286	**1,611,504**	**15,645,670**
Minority shareholders' equity in consolidated subsidiaries	64,658	**64,450**	**625,728**
Non-voting redeemable convertible preferred stock (Note 11):			
$0.001 par value —			
Authorized — 20,756,570 shares			
Issued and outstanding 1999 — 6,725,285 shares	37,223	**–**	**–**
Shareholders' equity (Note 12):			
Common stock, ¥50 par value —			
Authorized — 3,200,000,000 shares			
Issued 1999 — 1,627,021,410 shares	230,212	**–**	**–**
2000 — 1,628,819,840 shares	–	**231,137**	**2,244,049**
Additional paid-in capital	345,642	**348,234**	**3,380,913**
Legal reserve	35,652	**36,922**	**358,466**
Retained earnings	313,262	**312,638**	**3,035,320**
Accumulated other comprehensive income	2,595	**48,005**	**466,068**
	927,363	**976,936**	**9,484,816**
Treasury stock, at cost —			
1999 — 12,891 shares	(18)	**–**	**–**
2000 — 30,559 shares	–	**(83)**	**(806)**
	927,345	**976,853**	**9,484,010**
Commitments and contingent liabilities (Note 19)			
	¥5,045,934	**¥4,608,964**	**$44,747,223**

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 1998, 1999 and 2000

	In millions of yen			In thousands of U.S. dollars (Note 3)
	1998	1999	**2000**	**2000**
Sales and other income:				
Net sales	¥4,901,122	¥4,759,412	**¥4,991,447**	**$48,460,650**
Interest, gain on securities sold, dividends and other (Notes 5, 17 and 18)	69,564	56,379	**218,444**	**2,120,816**
	4,970,686	4,815,791	**5,209,891**	**50,581,466**
Costs and expenses:				
Cost of sales	3,409,607	3,520,837	**3,664,513**	**35,577,796**
Selling, general and administrative (Notes 15 and 16)	1,301,111	1,235,436	**1,216,520**	**11,810,874**
Interest	61,257	58,575	**61,647**	**598,514**
Other (Note 17)	107,718	225,669	**237,028**	**2,301,243**
	4,879,693	5,040,517	**5,179,708**	**50,288,427**
Income (loss) before income taxes	90,993	(224,726)	**30,183**	**293,039**
Provision (benefit) for income taxes (Note 10)	41,514	(72,988)	**32,484**	**315,379**
Income (loss) before minority interest and equity in earnings of affiliated companies	49,479	(151,738)	**(2,301)**	**(22,340)**
Minority interest in income (loss) of consolidated subsidiary companies	2,839	(5,545)	**(1,419)**	**(13,777)**
Income (loss) before equity in earnings of affiliated companies	46,640	(146,193)	**(882)**	**(8,563)**
Equity in earnings (losses) of affiliated companies (Note 4)	777	(5,068)	**11,298**	**109,689**
Net income (loss)	47,417	(151,261)	**10,416**	**101,126**
Comprehensive income:				
Other comprehensive income (loss), net of tax (Note 12)				
Foreign currency translation adjustments for the year	9,261	(14,510)	**(24,333)**	**(236,243)**
Minimum pension liability adjustment	–	(55,794)	**28,243**	**274,204**
Unrealized gains on marketable securities (Note 5)	(16,930)	(24,065)	**41,500**	**402,913**
Other comprehensive income (loss)	(7,669)	(94,369)	**45,410**	**440,874**
Comprehensive income (loss)	¥ 39,748	¥ (245,630)	**¥ 55,826**	**$ 542,000**
Retained earnings:				
Balance at beginning of year	¥ 456,518	¥ 484,266	**¥ 313,262**	**$ 3,041,378**
Net income (loss)	47,417	(151,261)	**10,416**	**101,126**
Dividends	(17,573)	(18,172)	**(9,770)**	**(94,854)**
Transfer to legal reserve	(2,096)	(1,571)	**(1,270)**	**(12,330)**
Balance at end of year	¥ 484,266	¥ 313,262	**¥ 312,638**	**$ 3,035,320**

	Yen			U.S. dollars (Note 3)
	1998	1999	**2000**	**2000**
Net income (loss) per share of common stock (Note 13):				
Basic	¥29.78	¥(94.49)	**¥6.40**	**$0.062**
Diluted	¥27.36	¥(94.49)	**¥6.40**	**$0.062**
Cash dividends per share	¥11.00	¥ 8.50	**¥6.00**	**$0.058**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 1998, 1999 and 2000

	In millions of yen			In thousands of U.S. dollars (Note 3)
	1998	1999	**2000**	**2000**
Cash flows from operating activities:				
Net income (loss)	¥ 47,417	¥ (151,261)	**¥ 10,416**	**$ 101,126**
Adjustments to reconcile net income to net cash provided by operating activities —				
Depreciation	285,862	306,442	**260,942**	**2,533,417**
Deferred tax benefit	(17,188)	(121,309)	**(2,102)**	**(20,408)**
Loss (gain) on sales of property, plant and equipment	(365)	1,368	**(45,329)**	**(440,087)**
Gain on sales of marketable securities	(16,842)	(12,659)	**(98,194)**	**(953,340)**
Accrual for pension and severance costs, less payments	(5,197)	3,709	**10,310**	**100,097**
Equity in earnings of affiliated companies, net of dividends	8,596	18,179	**(7,552)**	**(73,320)**
Minority interest in consolidated subsidiary companies	2,839	(5,545)	**(1,419)**	**(13,777)**
(Increase) decrease in notes and accounts receivable	(30,913)	44,928	**201,934**	**1,960,524**
Decrease in inventories	77,655	55,867	**85,104**	**826,252**
Increase (decrease) in notes and accounts payable	(54,706)	(68,972)	**80,817**	**784,631**
Increase (decrease) in accrued taxes on income	(3,885)	15,644	**(4,395)**	**(42,670)**
Other, net	2,862	28,454	**(31,995)**	**(310,630)**
Net cash provided by operating activities	296,135	114,845	**458,537**	**4,451,815**
Cash flows from investing activities:				
Proceeds from sales of property, plant and equipment	5,794	39,438	**246,386**	**2,392,097**
Additions to property, plant and equipment	(393,776)	(279,849)	**(263,767)**	**(2,560,845)**
Proceeds from sales of marketable securities	22,419	18,087	**180,576**	**1,753,165**
Payments for purchase of marketable securities	(46,606)	(26,286)	**(97,606)**	**(947,631)**
Investments in affiliated companies	(71,803)	(32,183)	**–**	**–**
Cash acquired relating to a newly consolidated subsidiary	-	37,388	**2,022**	**19,631**
Disbursements for long-term loans	(2,703)	(11,164)	**(646)**	**(6,272)**
Decrease in long-term loans	11,642	6,501	**1,599**	**15,524**
(Increase) decrease in other investment securities	(13,468)	(47,123)	**21,280**	**206,602**
Other, net	(25,079)	(33,396)	**552**	**5,360**
Net cash used in investing activities	(513,580)	(328,587)	**90,396**	**877,631**
Cash flows from financing activities:				
Proceeds from long-term debt	360,892	1,078,359	**24,916**	**241,903**
Repayments of long-term debt	(167,762)	(194,026)	**(282,917)**	**(2,746,767)**
Increase (decrease) in short-term borrowings	10,032	(646,178)	**(222,434)**	**(2,159,553)**
Dividends paid	(17,407)	(17,583)	**(9,801)**	**(95,155)**
Other, net	749	294	**2,765**	**26,844**
Net cash provided by financing activities	186,504	220,866	**(487,471)**	**(4,732,728)**
Effect of exchange rate changes on cash and cash equivalents	(577)	(6,431)	**(7,164)**	**(69,553)**
Net increase (decrease) in cash and cash equivalents	(31,518)	693	**54,298**	**527,165**
Cash and cash equivalents at beginning of year	350,494	318,976	**319,669**	**3,103,583**
Cash and cash equivalents at end of year	¥ 318,976	¥ 319,669	**¥ 373,967**	**$ 3,630,748**
Supplemental disclosures of cash flow information:				
Cash paid during the year for —				
Interest	¥ 61,412	¥ 56,287	**¥ 61,556**	**$ 597,631**
Income taxes	¥ 88,844	¥ 30,713	**¥ 39,277**	**$ 381,330**
Supplemental information of noncash financing activities:				
Conversion of convertible debt into common stock and additional paid-in capital	¥ 33,957	¥ 28,870	**¥ 1,292**	**$ 12,544**

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NEC CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. NATURE OF OPERATIONS

NEC Corporation and its consolidated subsidiaries (the "company") is a provider of products, services, and support solutions for industrial and consumerable Internet environment. Organizationally, the company's major operating segments are as follows; NEC Solutions, NEC Networks and NEC Electron Devices segments.

NEC Solutions designs, develops, manufactures and markets computer systems which include Internet services, supercomputers, mainframe computers, PCs, PC servers, UNIX servers, workstations, software products, system integration services, VAN information services, printers, hard disk drives and related maintenance services.

NEC Networks designs, develops, manufactures and markets networking systems and communication equipment which include switching systems, mobile communication systems, fiber-optic transmission systems, CATV systems, routers, microwave communication systems, television and radio broadcast equipment, satellites, and cellular phones.

NEC Electron Devices designs, develops, manufactures and markets devices which include dynamic random access memories (DRAMs) and other memories, application-specific integrated circuits (ASICs), microcomputers, color liquid crystal displays (LCDs), color display tubes (CDTs), color plasma display panels (PDPs), transistors, diodes, relays, and car electronic products.

The company's principal manufacturing facilities are located in Japan, the United States of America, Europe, and Asia, and these products are marketed by NEC Corporation and sales subsidiaries throughout the world.

2. SIGNIFICANT ACCOUNTING POLICIES

NEC Corporation and its Japanese subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile. Certain adjustments and reclassifications, including those relating to valuation of debt and equity securities, the accrual of certain expenses, and the accounting for foreign currency translation, lease transactions and common stock warrants have been incorporated in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments were not recorded in the statutory books of account.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant accounting policies, after reflecting adjustments for the above, are as follows:

Basis of consolidation and investments in affiliated companies

The consolidated financial statements include those of NEC Corporation and those of its majority-owned subsidiaries. All significant intercompany transactions and accounts are eliminated. The fiscal years of certain foreign subsidiaries are December 31 and there have been no significant transactions for the period from January 1, 2000 to March 31, 2000.

Investments in 50 percent or less owned companies over which the company does not have control, but has the ability to exercise significant influence, are accounted for by the equity method.

Cash equivalents

All highly liquid investments, including time deposits, with original maturities of three months or less are considered to be cash equivalents.

Foreign currency translation

Asset and liability accounts of foreign consolidated subsidiaries and equity investments are translated into yen at appropriate year-end rates of exchange and all revenue and expense accounts are translated at average rates of exchange prevailing during the year. The resulting translation adjustments are accumulated and included in accumulated other comprehensive income (loss) of shareholders' equity.

Marketable securities and other investments

In the fiscal year ended March 31, 2000, the company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," retroactively to April 1, 1994. In the prior years, the marketable equity securities were carried at the lower of aggregate cost or market, other marketable securities were carried at the lower of cost or market. SFAS No. 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Under SFAS No. 115, certain investments in debt and equity securities are classified in the following three categories: held-to-maturity, trading or available-for-sale securities. Debt and equity securities classified as available-for-sale securities are reported at fair value, with unrealized gains and losses included in accumulated other comprehensive income (loss) of shareholders' equity, net of

taxes. In accordance with Accounting Principles Board Opinion No. 20 — Accounting Change, the company restated its consolidated financial statements for the years ended March 31, 1998 and 1999. A summary of the effects of the restatement is presented in Note 20. Realized gains or losses on the sale of marketable securities are based on the average cost of all of the shares of a particular security held at the time of sale.

Other investment securities are stated at cost or less.

Inventories

Inventories are stated at the lower of cost or market.

Finished products made to customer specifications are costed on the basis of accumulated production costs. Mass-produced standard products are principally costed on a first-in, first-out basis.

Work in process made to customer specifications represents accumulated production costs of job orders. Work in process of mass-produced standard products is stated on an average cost basis. The cost of semifinished components is principally determined on a first-in, first-out basis.

Raw materials and purchased components are principally stated on a first-in, first-out basis and, for certain subsidiaries, on an average cost method.

Effective April 1, 1997, the company changed its inventory costing method for other finished products, semifinished components, and raw materials and purchased components, principally from last-in, first-out basis to first-in, first-out basis. The company has recently been experiencing reductions in manufacturing cost through lower cost of purchased components and increased labor efficiency. The company believes that the first-in, first-out methodology is more representative of fair value of inventory. The effect of the change in accounting principle was not material to the financial position or results of operations.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is computed primarily on the declining-balance method and, for certain subsidiaries, on the straight-line method, at rates based on the following estimated useful lives of the assets: buildings, 7 to 65 years, machinery and equipment, two to 22 years. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Intangible assets

Intangible assets consist primarily of the costs of purchased patents and trade names and goodwill. Goodwill represents the excess of cost over the fair value of net tangible assets acquired in business combinations and investments accounted for under the equity method. Costs allocated to patents and trade names are amortized mainly on a straight-line basis over their estimated useful lives. Goodwill is amortized on a straight-line basis over the period of expected benefit which does not exceed 10 years. The company evaluates goodwill and other intangible assets for impairment using undiscounted future cash flows at the aggregate business unit level, whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable.

Income taxes

The company provides for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are determined based on the financial statement and tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to carryforwards. Valuation allowances are established to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Additional paid-in capital and free distributions of common stock

Under the Japanese Commercial Code, the entire amount of the issue price of shares is required to be accounted for in the common stock account although a company in Japan may, by a resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the shares as additional paid-in capital.

The company in Japan has made, based on the resolution of the board of directors, a free distribution of shares to shareholders, which is clearly distinguished from a "stock dividend" paid out of profits that, under the Commercial Code, must be approved by the shareholders. In accounting for the free distribution of shares, the Commercial Code permitted the board of directors to authorize either (1) a transfer from additional paid-in capital to the common stock account or (2) no entry if free shares were distributed from the portion of previously issued shares accounted for as excess of par value in the common stock account. Companies in the United States of America issuing shares in amounts comparable to those of the free share distributions of NEC Corporation would be required to account for them as stock dividends and the fair value of the shares would be transferred from retained earnings to appropriate capital accounts. Such transfer, however, has no effect on total shareholders' equity.

Comprehensive income

In the fiscal year ended March 31, 1999, the company adopted SFAS No. 130 "Reporting Comprehensive Income," which requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income (loss) consists of net income (loss), change in foreign currency translation adjustments and change in minimum pension liability adjustment and unrealized gains and losses on securities and is displayed in the consolidated statements of income, comprehensive income and retained earnings. SFAS No. 130 is primarily disclosure oriented and does not affect the consolidated financial position and operating results of the company. All prior-period consolidated financial statements have been reclassified to conform with SFAS No. 130.

Net income per share

Basic net income per share ("EPS") is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in the issuance of common stock.

Sales

Sales of computers and certain types of major equipment are recorded when the units are installed and accepted by the customers, while sales of other equipment, components and appliances are recorded when completed units are shipped.

Financial instruments

The company has entered into forward exchange contracts as hedges against the adverse impact of foreign currency fluctuations on monetary assets and liabilities arising from the company's operations. Gains and losses on these contract hedges are deferred and recognized in income when the hedged transaction occurs. Agreements that are, in substance, essentially the same as forward exchange contracts, such as currency swaps, are accounted for in a manner similar to the accounting for forward exchange contracts. The interest rate swap agreements are basically integrated with underlying debt obligations and designed to convert fixed rate debt into floating rate debt, or vice versa, and interest rate option agreements are also arranged so that exposures to losses resulting from fluctuations in interest rates are managed. The differentials to be paid or received related to interest rate swap agreements are recognized in interest expense over the lives of the agreements. (See Note 14 to the consolidated financial statements for detailed descriptions of these financial instruments.)

Segment information

In the fiscal year ended March 31, 2000, the company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires a "management" approach in reporting segment information. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the company's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas, and major customers. The adoption of SFAS No. 131 did not affect results of operations or financial position, but did affect the disclosure of segment information. Previously reported segment information has been restated to conform with the requirements of SFAS No. 131.

Recent pronouncement

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that an entity recognize all derivatives as either assets or liabilities in the statements of financial position. In the case of the company, SFAS No. 133 is effective for the fiscal year beginning April 1, 2001. At this stage, the company is in the process of estimating the effect of adoption on the consolidated financial position or operating results of the company.

Reclassifications

Certain accounts in the consolidated financial statements for the years ended March 31, 1998 and 1999 have been reclassified to conform to the 2000 presentation.

3. U.S. DOLLAR AMOUNTS

U.S. dollar amounts are included solely for the convenience of the readers of the financial statements. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars.

As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the rate of ¥103=U.S.$1, the approximate current rate at March 31, 2000, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

4. INVESTMENTS IN AFFILIATED COMPANIES

The investees accounted for by the equity method together with a percentage of the company's ownership of voting share are Nippon Electric Glass Co., Ltd. (35.0%), ANRITSU CORPORATION (26.9%), Toyo Communication Equipment Co., Ltd. (20.0%), NITSUKO CORPORATION (34.3%), Tokin Corporation (41.1%), NEC Leasing, Ltd. (50.0%), Sumitomo 3M Limited (25.0%) and 4 other companies at March 31, 2000.

Summarized financial information relating to 50 percent or less owned companies accounted for under the equity method is as follows:

	In millions of yen		In thousands of U.S. dollars
March 31	1999	**2000**	**2000**
Current assets	¥1,053,152	**¥ 937,351**	**$ 9,100,495**
Other assets, including property, plant and equipment	1,054,138	**968,509**	**9,403,000**
Total assets	¥2,107,290	**¥1,905,860**	**$18,503,495**
Current liabilities	¥ 820,076	**¥ 614,305**	**$ 5,964,126**
Long-term liabilities	832,978	**800,913**	**7,775,854**
Shareholders' equity	454,236	**490,642**	**4,763,515**
Total liabilities and shareholders' equity	¥2,107,290	**¥1,905,860**	**$18,503,495**

Year ended March 31	In millions of yen 1998	1999	2000	In thousands of U.S. dollars 2000
Sales and operating revenue	¥1,755,668*1	¥1,444,449*2	**¥1,104,816**	**$10,726,369**
Net income (loss)	(33,698)*1	(68,985)*2	**30,204**	**293,243**

*1 Including the amounts related to Packard Bell NEC, Inc. ("PBN") for 1998, a sales of ¥461,551 million and a loss of ¥76,798 million, respectively. The company recognized ¥15,320 million as equity loss.

*2 Including the amounts related to PBN up to the time when the company consolidated PBN, a sales of ¥170,293 million and a loss of ¥43,413 million, respectively. Please refer to the separate caption, "Investment to Packard Bell NEC, Inc. (PBN)," which is indicated below.

Of the 11 companies at March 31, 2000 (13 companies at March 31, 1999) accounted for under the equity basis, the stocks of 5 companies (6 companies at March 31, 1999) carried at equity of ¥123,932 million and ¥114,262 million ($1,109,340 thousand) at March 31, 1999 and 2000, respectively, were quoted on the market at an aggregate value of ¥194,624 million and ¥180,408 million ($1,751,534 thousand), respectively, at those dates.

The balances and transactions with companies accounted for under the equity method are shown below:

March 31	In millions of yen 1999	2000	In thousands of U.S. dollars 2000
Receivables, trade	¥57,615	**¥14,010**	**$136,019**
Payables, trade	52,596	**60,506**	**587,437**

Year ended March 31	In millions of yen 1998	1999	2000	In thousands of U.S. dollars 2000
Sales	¥257,170	¥254,738	**¥211,388**	**$2,052,311**
Purchases	117,016	114,273	**111,119**	**1,078,825**

Investment to Packard Bell NEC, Inc. (PBN)

On August 31, 1995, for consideration of ¥17,026 million the company acquired 4,040,149 shares of voting convertible preferred stock of Packard Bell Electronics, Inc. ("PB") representing 19.97% of the then combined outstanding common and preferred stock of PB.

On April 1, 1996, the company purchased 6,725,285 shares of non-voting redeemable convertible preferred stock from PB for ¥30,706 million. On June 30, 1996, NEC Corporation, NEC Technologies, Inc., a wholly owned subsidiary, and PB effected an agreement to transfer certain assets and liabilities of the company's personal computer business to PB in order to integrate their worldwide personal computer businesses, except in Japan and China. The company received 7,306,000 shares of non-voting redeemable convertible preferred stock of PB for ¥35,270 million consideration for the assets transferred. On July 11, 1996, PB changed its name to Packard Bell NEC, Inc. On June 30, 1997, the company purchased 6,772,814 shares of non-voting redeemable convertible preferred stock from PBN for ¥32,875 million. On December 26, 1997 and February 6, 1998, the company purchased senior subordinated convertible notes for ¥19,725 million and ¥18,780 million, respectively.

In February 1998, in connection with the note purchase, 11,445,000 shares of non-voting redeemable convertible preferred stock of PBN held by the company have been exchanged on a one-for-one basis for 11,445,000 shares of voting convertible preferred stock of PBN. The preferred stock exchanged has been devalued to fair value and a loss of ¥10,663 million has been recognized on this exchange. The company also recognized a loss of ¥19,706 million, relating to the devaluation of the remaining investment. After the exchange, the company's share of the outstanding voting shares of PBN has increased to 49% of the combined outstanding common and voting shares of PBN.

On July 31 and August 31, 1998, NEC Corporation purchased subordinated convertible unsecured notes for ¥21,578 million and ¥10,605 million, respectively, from PBN.

On September 4, 1998, NEC Corporation converted 11,445,000 shares of voting convertible preferred stock of PBN and 2,586,285 shares of non-voting preferred stock of PBN into common stock. The preferred stock converted has been devalued to fair value and a loss of ¥17,792 million has been recognized on this conversion. The company also recognized a loss of ¥5,950 million, relating to the devaluation of the remaining investment in the preferred stock. After the conversion, since the company's share of the outstanding voting shares of PBN has increased to 52.81% of the combined outstanding common and voting shares of PBN, the company consolidated PBN effective October 1, 1998.

On January 6, 1999, NEC Corporation acquired 12,288,311 shares of common stock of PBN. After the acquisition, the company's share of the outstanding voting shares of PBN has increased to 88.32% of the combined outstanding common and voting shares of PBN.

On February 26, 1999, NEC Corporation acquired all of outstanding shares of Packard Bell NEC Europe B.V. ("PBNE," presently NEC Computers International B.V.), which was a wholly owned subsidiary of PBN, for ¥53,797 million. On February 26, 1999, NEC Corporation purchased 475,285 shares of non-voting redeemable convertible preferred stock of PBN and sold 8,698,429 shares of common stock of PBNE representing 4.44% of the voting securities of PBNE.

The acquisitions were recorded under the purchase method accounting and the purchase prices have been allocated to assets acquired based on their estimated fair value at the dates of acquisition. In the fiscal year ended March 31, 1999, considering the disappointing financial performance of PBN, the company prepared a revised business plan and operating forecast. Based on such revised business plan and operating forecast, the company determined that goodwill, which had been recognized relating to the acquisitions of PBN, had been impaired and recorded a loss of ¥37,795 million including the amortization.

The following unaudited pro forma financial information for the company gives effect to the PBN acquisitions as if they had occurred on April 1, 1997. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred on the date indicated, or which may result in the future.

	In millions of yen	
Year ended March 31	1998	1999
Net sales	¥5,352,256	¥4,920,776
Net income (loss)	47,417	(151,261)

	Yen	
Year ended March 31	1998	1999
Net income (loss) per share of common stock:		
Basic	¥29.78	¥(94.49)
Diluted	¥27.36	¥(94.49)

The non-voting redeemable convertible preferred stock is classified as debt securities based on the provisions of SFAS No. 115.

During the year ended March 31, 2000, PBN decided to close its operation. Based on the decision, the company treated PBN as a liquidated company and recorded a loss of ¥15,011 million ($145,738 thousand), net of the effect of the exemption of non-voting redeemable convertible preferred stock (See Note 11 to the consolidated financial statements).

5. MARKETABLE SECURITIES

The following is a summary of marketable securities by major security type:

	In millions of yen							
	1999				**2000**			
March 31	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:								
Equity securities	¥255,879	¥147,945	¥39,745	¥364,079	**¥294,652**	**¥186,533**	**¥21,003**	**¥460,182**
Debt securities	40,001	1,505	–	41,506	**25,987**	**1,987**	**1,197**	**26,777**
	¥295,880	¥149,450	¥39,745	¥405,585	**¥320,639**	**¥188,520**	**¥22,200**	**¥486,959**

	In thousands of U.S. dollars			
	2000			
March 31	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	**$2,860,699**	**$1,811,000**	**$203,913**	**$4,467,786**
Debt securities	**252,301**	**19,291**	**11,621**	**259,971**
	$3,113,000	**$1,830,291**	**$215,534**	**$4,727,757**

Contractual maturities of available-for-sale debt securities at March 31, 2000 are in the period from April 3, 2000 to June 15, 2015.

Proceeds from sales of available-for-sale securities were ¥22,419 million, ¥18,087 million and ¥180,576 million ($1,753,165 thousand) for the years ended March 31, 1998, 1999 and 2000, respectively. Gross realized gains on those sales were ¥16,885 million, ¥12,887 million and ¥98,200 million ($953,398 thousand) for the years ended March 31, 1998, 1999 and 2000, respectively, and gross realized losses were ¥30,412 million and ¥23,970 million, including devaluation losses relating to the investments described in Note 4, for the years ended March 31, 1998 and 1999, respectively, and ¥6 million ($58 thousand) for the year ended March 31, 2000.

6. INVENTORIES

Inventories at March 31, 1999 and 2000 comprise the following:

	In millions of yen		In thousands of U.S. dollars
March 31	1999	**2000**	**2000**
Finished products	¥248,539	**¥224,228**	**$2,176,971**
Work in process and semifinished components	432,358	**384,544**	**3,733,437**
Less - Advance payments received	(32,957)	**(40,691)**	**(395,058)**
Raw materials and purchased components	163,377	**179,528**	**1,742,990**
	¥811,317	**¥747,609**	**$7,258,340**

7. INTANGIBLE ASSETS

Accumulated amortization of intangible assets was ¥152,536 million and ¥144,970 million ($1,407,476 thousand) at March 31, 1999 and 2000, respectively.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 1999 and 2000 comprise the following:

	In millions of yen		In thousands of U.S. dollars
March 31	1999	**2000**	**2000**
Loans, principally from banks, including bank overdrafts (average interest rate of 2.11% at March 31, 1999 and 2.24% at March 31, 2000):			
Secured	¥ 27,231	**¥ 3,460**	**$ 33,592**
Unsecured	389,504	**372,111**	**3,612,728**
Commercial paper (interest rates of 0.31% to 5.94% at March 31, 1999 and 19.00% to 21.50% at March 31, 2000)	131,400	**916**	**8,893**
	¥548,135	**¥376,487**	**$3,655,213**

Long-term debt at March 31, 1999 and 2000 comprise the following:

	In millions of yen		In thousands of U.S. dollars
March 31	1999	**2000**	**2000**
Loans, principally from banks and insurance companies, due 1999 to 2010 with interest rates of 0.573% to 9.72% at March 31, 1999 and due 2000 to 2010 with interest rates of 0.459% to 11.00% at March 31, 2000:			
Secured	¥ 53,449	**¥ 45,288**	**$ 439,689**
Unsecured	533,237	**415,075**	**4,029,855**
5.6% to 6.05% at March 31, 1999 and 2000 unsecured yen bonds due 1999 to 2007 at March 31, 1999 and due 2000 to 2007 at March 31, 2000 issued in the Euromarket	100,000	**50,000**	**485,437**
1.1% to 3.3% at March 31, 1999 and 2000 unsecured yen debentures due 1999 to 2010 at March 31, 1999 and due 2000 to 2010 at March 31, 2000	670,000	**640,000**	**6,213,592**
1.9% unsecured yen convertible debentures due 2004, convertible currently at ¥1,962.90 for one common share, redeemable before due date	118,522	**118,521**	**1,150,689**
1.0% unsecured yen convertible debentures due 2011, convertible currently at ¥1,375.00 for one common share, redeemable before due date	99,389	**99,158**	**962,699**
1.8% unsecured yen convertible debentures due 2002, convertible currently at ¥2,066.80 for one common share, redeemable before due date	95,041	**95,028**	**922,602**
1.9% unsecured yen convertible debentures due 2001, convertible currently at ¥976.00 for one common share, redeemable before due date	27,410	**25,890**	**251,359**
0.375% unsecured yen convertible notes issued by a consolidated subsidiary due 2002	6,000	**5,980**	**58,058**
0.2% to 1.6% at March 31, 1999 and 0.2% to 1.3% at March 31, 2000 yen medium-term notes issued by a consolidated subsidiary due 1999 to 2003 at March 31, 1999 and due 2000 to 2003 at March 31, 2000 issued in the Euromarket (swapped for LIBOR related Sterling Pound obligation)	52,491	**30,285**	**294,029**
Long-term capital lease obligation, due 1999 to 2008 with interest rates of 2.1% to 8.4% at March 31, 1999 and due 2000 to 2011 with interest rates of 1.9% to 7.9 % at March 31, 2000	64,061	**48,556**	**471,418**
Other	7,564	**6,797**	**65,990**
	1,827,164	**1,580,578**	**15,345,417**
Unamortized premium	249	**125**	**1,214**
	1,827,413	**1,580,703**	**15,346,631**
Less — Portion due within one year	240,356	**254,565**	**2,471,505**
	¥1,587,057	**¥1,326,138**	**$12,875,126**

The following are pledged as security for short-term borrowings and long-term debt at March 31, 2000:

Description	In millions of yen	In thousands of U.S. dollars
Current notes and accounts receivable	¥ 1,967	$ 19,097
Marketable securities — Noncurrent	49	476
Long-term receivables, trade	1,045	10,146
Property, plant and equipment (net book value)	112,576	1,092,971

The 1.8 percent unsecured yen convertible debenture agreements stipulate, among other things, that (1) NEC Corporation is required to deposit with a designated bank, as a sinking fund payment, amounts adjusted for redemptions and conversions made to the dates specified in the agreements and (2) certain restrictions are placed on the payment of dividends. Under the agreements NEC Corporation deposited, instead of the cash, marketable securities amounting to ¥10,110 million and ¥51,184 million ($496,932 thousand) at March 31, 1999 and 2000, respectively.

The agreement of the 1.9 percent unsecured yen convertible debentures due 2004 stipulates, among other things, that NEC Corporation is required to deposit with a designated bank, as a sinking fund payment, amounts adjusted for redemptions and conversions made to the dates specified in the agreement.

The sinking fund payments, adjusted for the conversions made to March 31, 2000, are as follows:

	Sinking fund payments		
		Amount of each payment	
Convertible debentures	Date	In millions of yen	In thousands of U.S. dollars
1.8%	March 31, 2001	¥12,000	$116,505
1.9%	March 31, 2001, 2002 and 2003	14,000	135,922

At March 31, 2000, an aggregate of 205,000 thousand shares of common stock would have been issuable upon conversion of all convertible debt of NEC Corporation.

The company has basic agreements with lending banks to the effect that, with respect to all present or future loans with such banks, the company shall provide collateral (including sums on deposit with such banks) or guarantors therefore immediately upon the bank's request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all indebtedness to such banks.

Certain of the loan agreements provide, among other things, that the company submits to the lenders (upon their request) for approval its proposed appropriation of income (including dividends) before such appropriation can be submitted to the shareholders for approval.

Annual maturities and sinking fund requirements on long-term debt during the five years ending March 31, 2005 are as follows:

Year ending March 31	In millions of yen	In thousands of U.S. dollars
2001	¥280,565	$2,723,932
2002	289,079	2,806,592
2003	221,637	2,151,816
2004	239,147	2,321,816
2005	141,958	1,378,233

9. PENSION AND SEVERANCE PLANS

NEC Corporation and the subsidiaries in Japan have severance indemnity plans and non-contributory defined benefit funded pension plans, or only severance indemnity plans, covering substantially all of their employees who meet eligibility requirements of the retirement regulations. Under the plans, employees whose service with the company is terminated are, under most circumstances, entitled to lump-sum severance indemnities and/or pension payments, determined by reference to current basic rate of pay, length of service and conditions under which the termination occurs. The funding policy is to make contributions that can be deducted for Japanese income tax purposes.

NEC Corporation and certain subsidiaries in Japan also have contributory defined benefit pension plans, covering substantially all of their employees, including the governmental welfare pension benefit plan which would otherwise be provided by the Japanese government. The pension benefits are determined based on years of service and the compensation amount as stipulated in the regulations. The governmental welfare pension contributions are funded in conformity with the requirements regulated by the Japanese Welfare Pension Insurance Law. The contributions to the contributory and the non-contributory pension plans are placed into trusteed pension funds.

In 2000, NEC Corporation and certain subsidiaries in Japan have revised a part of their pension and severance indemnity plans, which have reduced the projected benefit obligation. In addition, in March 2000, there were revisions of the Japanese Welfare Pension Insurance Law, which have reduced the project benefit obligation of the governmental welfare pension benefit plan for NEC Corporation and certain subsidiaries in Japan. The effect of such reductions has been reflected as an offset of unrecognized prior service cost.

Most subsidiaries outside Japan have various retirement plans covering substantially all of their employees, which are primarily defined contribution plans. The funding policy for the defined contribution plans is to annually contribute an amount equal to a certain percentage of the participants' annual salaries.

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets are as follows:

March 31	In millions of yen 1999	2000	In thousands of U.S. dollars 2000
Change in benefit obligations:			
Benefit obligations at beginning of year	¥ 951,749	**¥1,107,788**	**$10,755,223**
Service cost	49,624	**51,940**	**504,272**
Interest cost	39,958	**44,312**	**430,214**
Actuarial loss	106,594	**57,502**	**558,272**
Benefits paid	(40,137)	**(52,097)**	**(505,796)**
Plan amendment	–	**(53,338)**	**(517,845)**
Benefit obligations at end of year	1,107,788	**1,156,107**	**11,224,340**
Change in plan assets:(*1)			
Fair value of plan assets at beginning of year	616,682	**665,152**	**6,457,786**
Actual return on plan assets	16,480	**96,592**	**937,786**
Employer contributions	50,147	**51,202**	**497,107**
Benefits paid	(18,157)	**(25,031)**	**(243,019)**
Fair value of plan assets at end of year	665,152	**787,915**	**7,649,660**
Funded status	442,636	**368,192**	**3,574,680**
Unrecognized prior service cost and actuarial loss(*2)	(79,898)	**(88,245)**	**(856,748)**
Unrecognized net obligation at April 1, 1989 being recognized over 17 years	(21,693)	**(18,646)**	**(181,029)**
Net amounts recognized	¥ 341,045	**¥ 261,301**	**$ 2,536,903**
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension and severance costs	¥ 203,768	**¥ 213,799**	**$ 2,075,718**
Intangible assets	41,080	**–**	**–**
Accumulated other comprehensive income, gross of tax	96,197	**47,502**	**461,184**
Net amounts recognized	¥ 341,045	**¥ 261,301**	**$ 2,536,903**

*1 The plan assets consist principally of corporate equity securities, government securities and corporate debt securities.
*2 Unrecognized prior service cost has been amortized on the straight-line method over the average remaining service period of employees expected to receive benefits under the plan.

The weighted-average assumptions used in the accounting for the plans as at March 31 are as follows:

March 31	1999	2000
Discount rate	4.0%	**4.0%**
Rate of increase in future compensation level	1.7% – 3.8%	**1.7% – 3.8%**
Expected long-term rate of return on plan assets	4.0%	**4.0%**

Components of net pension and severance cost for all defined benefit plans including both the company's and employees' contributory portion of such plans for the years ended March 31, 1998, 1999 and 2000 were as follows:

Year ended March 31	In millions of yen 1998	1999	2000	In thousands of U.S. dollars 2000
Service cost	¥ 44,851	¥ 49,624	**¥ 51,940**	**$ 504,272**
Interest cost	38,894	39,958	**44,312**	**430,214**
Expected return on plan assets	(28,956)	(25,960)	**(26,783)**	**(260,029)**
Amortization of unrecognized prior service cost and actuarial loss	1,168	9,001	**15,867**	**154,048**
Amortization of unrecognized net obligation at April 1, 1989 being recognized over 17 years	3,047	3,047	**3,047**	**29,582**
Net pension and severance cost for all defined benefit plans	¥ 59,004	¥ 75,670	**¥ 88,383**	**$ 858,087**

The total cost for all defined benefit and defined contribution plans was as follows:

Year ended March 31	In millions of yen 1998	1999	2000	In thousands of U.S. dollars 2000
Net pension and severance cost for all defined benefit plans	¥ 59,004	¥ 75,670	**¥ 88,383**	**$ 858,087**
Net pension cost for employees' portion of the contributory defined benefit pension plans	(13,688)	(16,516)	**(19,053)**	**(184,980)**
Pension and severance cost for defined contribution plans and severance indemnity plans	1,952	2,198	**2,307**	**22,398**
Total cost for all defined benefit and defined contribution plans	¥ 47,268	¥ 61,352	**¥ 71,637**	**$ 695,505**

10. INCOME TAXES

The components of income tax expense (benefit) are as follows:

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Current	¥ 67,985	¥ 45,476	**¥34,586**	**$335,787**
Deferred	(26,471)	(118,464)	**(2,102)**	**(20,408)**
	¥ 41,514	¥ (72,988)	**¥32,484**	**$315,379**

The company is subject to a number of different income taxes which, in the aggregate, indicate normal statutory tax rates in Japan of approximately 51, 47 and 42 percent for the years ended March 31, 1998, 1999 and 2000, respectively. Due to the changes in Japanese tax regulations, a normal statutory tax rate in Japan has reduced effective April 1, 1998 and 1999. A reconciliation between the reported total income tax expense (benefit) and the amount computed by multiplying the income (loss) before tax by the applicable normal statutory income tax rate is as follows:

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
"Expected" tax expense (benefit)	¥ 46,406	¥(105,621)	**¥12,677**	**$123,078**
Increase (decrease) in taxes resulting from:				
a) Disposition of an investment in a consolidated subsidiary	–	(66,748)	**(1,050)**	**(10,194)**
b) Changes in valuation allowance	(12,857)	33,895	**(11,844)**	**(114,990)**
c) Non-deductible expense for tax purposes	4,570	3,378	**2,337**	**22,689**
d) International tax rate differences	78	9,866	**9,206**	**89,379**
e) Effect of change in normal statutory tax rate in Japan	6,604	23,326	**–**	**–**
f) Tax rate difference relating to unrecognized gain (loss) of marketable securities	(6,519)	(5,430)	**6,694**	**64,990**
g) Goodwill	1,211	19,458	**8,648**	**83,961**
h) Tax on undistributed earnings	3,883	(8,020)	**8,141**	**79,039**
i) Other	(1,862)	22,908	**(2,325)**	**(22,573)**
Actual total income tax expense (benefit)	¥ 41,514	¥ (72,988)	**¥32,484**	**$315,379**

The significant components of deferred tax assets and liabilities at March 31, 1999 and 2000 are as follows:

	In millions of yen		In thousands of U.S. dollars
March 31	1999	**2000**	**2000**
Deferred tax assets:			
Intercompany profit on inventories and tangible fixed assets between consolidated companies	¥ 25,811	**¥ 20,268**	**$ 196,777**
Investment securities	13,487	**45,914**	**445,767**
Accrued bonus	10,149	**20,619**	**200,184**
Accrued pension and severance costs	74,026	**61,140**	**593,592**
Operating lease	36,086	**33,168**	**322,019**
Loss carryforwards	230,050	**154,334**	**1,498,388**
Other	47,981	**68,972**	**669,631**
	437,590	**404,415**	**3,926,358**
Less — Valuation allowance	75,177	**38,198**	**370,854**
Total	¥362,413	**¥366,217**	**$3,555,504**
Deferred tax liabilities:			
Marketable securities	¥ 68,030	**¥ 87,133**	**$ 845,951**
Tax deductible reserve	30,317	**53,245**	**516,942**
Tax on undistributed earnings	9,595	**12,462**	**120,990**
Other	24,114	**11,550**	**112,136**
Total	¥132,056	**¥164,390**	**$1,596,019**

In Japan, consolidated tax returns are not permitted; accordingly, company subsidiaries are required to file separate tax returns. The valuation allowance is primarily related to deferred tax assets of certain consolidated subsidiaries with operating loss carryforwards which are not expected to be realized. The net changes in the total valuation allowance for the years ended March 31, 1998, 1999 and 2000 were decrease of ¥23,850 million, increase of ¥10,019 million and decrease of ¥36,979 million ($359,019 thousand), respectively. Of the change in the valuation allowance, the amounts attributable to the release of the beginning of the year balance for the years ended March 31, 1998 and 1999 were ¥21,576 million and ¥6,542 million, respectively, which were mainly due to favorable developments in the subsequent year. For the year ended March 31, 2000, that was ¥31,228 million ($303,184 thousand), which was mainly due to favorable developments in the subsequent year and the restructuring of certain subsidiaries.

At March 31, 2000, for tax return purposes, the company had tax loss carryforwards amounting to approximately ¥382,602 million ($3,714,583 thousand) of which ¥289,113 million ($2,806,922 thousand) relates to domestic companies and will expire during the period from 2001 through 2005. The rest of approximately ¥93,489 million ($907,660 thousand) relates to foreign subsidiaries and will expire primarily in 2007, 2008 and 2014.

Realization is dependent on companies generating sufficient taxable income prior to expiration of the tax loss carryforwards. Although realization is not assured, management believes it is more likely than not that the net deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

11. NON-VOTING REDEEMABLE CONVERTIBLE PREFERRED STOCK

Non-voting redeemable convertible preferred stock at March 31, 1999 consisted of 6,725,285 shares issued by the company's consolidated subsidiary PBN, and held by a third party other than NEC. During the year ended March 31, 2000, PBN decided to close its operation. Under the situation, the third party devaluated the non-voting redeemable convertible preferred stock and the company treated the non-voting redeemable convertible preferred stock, including unpaid dividends as exempted.

12. SHAREHOLDERS' EQUITY

Changes in common stock, additional paid-in capital, legal reserve, accumulated other comprehensive income and treasury stock are shown below:

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Common stock:				
Balance at beginning of year	¥200,403	¥216,053	**¥230,212**	**$2,235,068**
Conversion of convertible debt	15,650	14,159	**925**	**8,981**
Balance at end of year	¥216,053	¥230,212	**¥231,137**	**$2,244,049**
Additional paid-in capital:				
Balance at beginning of year	¥312,192	¥330,931	**¥345,642**	**$3,355,748**
Conversion of convertible debt	18,303	14,711	**803**	**7,796**
Change in interest in consolidated subsidiaries	435	–	**1,780**	**17,282**
Gain on sale of treasury stock	1	–	**9**	**87**
Balance at end of year	¥330,931	¥345,642	**¥348,234**	**$3,380,913**
Legal reserve:				
Balance at beginning of year	¥ 31,985	¥ 34,081	**¥ 35,652**	**$ 346,136**
Transfer from retained earnings	2,096	1,571	**1,270**	**12,330**
Balance at end of year	¥ 34,081	¥ 35,652	**¥ 36,922**	**$ 358,466**
Accumulated other comprehensive income:				
Balance at beginning of year	¥104,633	¥ 96,964	**¥ 2,595**	**$ 25,194**
Other comprehensive income (loss), net of tax	(7,669)	(94,369)	**45,410**	**440,874**
Balance at end of year	¥ 96,964	¥ 2,595	**¥ 48,005**	**$ 466,068**
Treasury stock, at cost:				
Balance at beginning of year	¥ (15)	¥ (8)	**¥ (18)**	**$ (175)**
Net change resulting from purchase and sales of fractional shares of less than "One Unit" as defined by the Japanese Commercial Code	7	(10)	**(65)**	**(631)**
Balance at end of year	¥ (8)	¥ (18)	**¥ (83)**	**$ (806)**

(1) Common stock and additional paid-in capital

Issuances of common stock in connection with conversions of convertible debt for the years ended March 31, 1998, 1999 and 2000 were 32,439,230 shares, 28,928,256 shares and 1,798,430 shares, respectively.

Prior to 1985, NEC Corporation made free share distributions of 233,182,146 shares. The cumulative amount of the fair value of these shares at the time of issuance was ¥258,755 million. Had the company accounted for these free share distributions in the manner used by United States companies, that amount would have been transferred from retained earnings to appropriate capital accounts.

(2) Legal reserve and retained earnings

The Japanese Commercial Code provides that an amount equal to at least 10 percent of cash dividends and other distributions from retained earnings paid by NEC Corporation and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriation is required when the legal reserve equals 25 percent of their respective stated capital.

The amount of retained earnings available for dividends is based on NEC Corporation's retained earnings determined in accordance with generally accepted accounting principles and the Commercial Code in Japan. The appropriations of retained earnings for the year ended March 31, 2000, as incorporated in the accompanying consolidated financial statements, include year-end dividends of ¥4,886 million ($47,437 thousand) which, in accordance with the Japanese

Commercial Code, will be proposed for approval at the Ordinary General Meeting of Shareholders to be held on June 29, 2000 and will be recorded in the statutory books of account on that date.

(3) Other comprehensive income

Change in accumulated other comprehensive income is as follows:

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Foreign currency translation adjustments:				
Balance at beginning of year	¥ 3,601	¥ 12,862	**¥ (1,648)**	**$ (16,000)**
Change in the current period	9,261	(14,510)	**(24,333)**	**(236,243)**
Balance at end of year	¥ 12,862	¥ (1,648)	**¥ (25,981)**	**$(252,243)**
Minimum pension liability adjustment:				
Balance at beginning of year	¥ –	¥ –	**¥ (55,794)**	**$(541,689)**
Change in the current period	–	(55,794)	**28,243**	**274,204**
Balance at end of year	¥ –	¥(55,794)	**¥ (27,551)**	**$(267,485)**
Unrealized gains (losses) on securities:				
Balance at beginning of year	¥101,032	¥ 84,102	**¥ 60,037**	**$ 582,883**
Change in the current period	(16,930)	(24,065)	**41,500**	**402,913**
Balance at end of year	¥ 84,102	¥ 60,037	**¥101,537**	**$ 985,796**
Total accumulated other comprehensive income:				
Balance at beginning of year	¥104,633	¥ 96,964	**¥ 2,595**	**$ 25,194**
Change in the current period	(7,669)	(94,369)	**45,410**	**440,874**
Balance at end of year	¥ 96,964	¥ 2,595	**¥ 48,005**	**$ 466,068**

Tax effect allocated to each component of other comprehensive income (loss) is as follows:

	In millions of yen		
Year ended March 31	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
1998:			
Foreign currency translation adjustments	¥ 9,261	¥ –	¥ 9,261
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(52,781)	29,223	(23,558)
Less: reclassification adjustments for gains (losses) realized in net income	13,527	(6,899)	6,628
Other comprehensive income	¥ (29,993)	¥ 22,324	¥ (7,669)
1999:			
Foreign currency translation adjustments	¥ (14,510)	¥ –	¥ (14,510)
Minimum pension liability adjustment	(96,197)	40,403	(55,794)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(56,744)	26,496	(30,248)
Less: reclassification adjustments for gains (losses) realized in net income	11,083	(4,900)	6,183
Other comprehensive income	¥(156,368)	¥ 61,999	¥ (94,369)
2000:			
Foreign currency translation adjustments	**¥ (24,333)**	**¥ –**	**¥ (24,333)**
Minimum pension liability adjustment	**48,695**	**(20,452)**	**28,243**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	**156,825**	**(65,019)**	**91,806**
Less: reclassification adjustments for gains (losses) realized in net income	**(98,194)**	**47,888**	**(50,306)**
Other comprehensive income	**¥ 82,993**	**¥(37,583)**	**¥ 45,410**

	In thousands of U.S. dollars		
Year ended March 31	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
2000:			
Foreign currency translation adjustments	**$ (236,243)**	**$ –**	**$(236,243)**
Minimum pension liability adjustment	**472,767**	**(198,563)**	**274,204**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	**1,522,573**	**(631,252)**	**891,321**
Less: reclassification adjustments for gains (losses) realized in net income	**(953,340)**	**464,932**	**(488,408)**
Other comprehensive income	**$ 805,757**	**$(364,883)**	**$ 440,874**

13. NET INCOME PER SHARE

Basic and diluted net income (loss) per share are computed as follows:

	In exact shares		
Year ended March 31	1998	1999	**2000**
Number of shares for basic per share computations for net income:			
Weighted-average number of shares of common stock outstanding for the year	1,592,406,790	1,600,876,070	**1,627,817,355**
Add — Incremental shares related to convertible bonds	254,578,150	–	**–**
Number of shares for diluted per share computations for net income	1,846,984,940	1,600,876,070	**1,627,817,355**

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Net income (loss) available to common shareholders	¥47,417	¥(151,261)	**¥10,416**	**$101,126**
Net income effect of interest on convertible bonds	3,109	–	**–**	**–**
Net income (loss) available to common shareholders and assumed conversions	¥50,526	¥(151,261)	**¥10,416**	**$101,126**

	Yen			U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Net income (loss) per share of common stock:				
Basic	¥29.78	¥(94.49)	**¥6.40**	**$0.062**
Diluted	¥27.36	¥(94.49)	**¥6.40**	**$0.062**

14. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, time deposits, notes and accounts receivable and payable, trade, short-term borrowings, employees' savings deposits, accrued taxes on income and other current assets and liabilities approximated fair value because of their short-term maturities. The carrying amounts and estimated fair values of the other financial instruments are summarized as follows:

	In millions of yen				In thousands of U.S. dollars	
	1999		**2000**		**2000**	
March 31	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term receivables, trade	¥ 41,952	¥ 42,623	**¥ 53,018**	**¥ 54,081**	**$ 514,738**	**$ 525,058**
Long-term loans	24,663	24,712	**22,088**	**22,182**	**214,447**	**215,359**
Long-term debt, including current portion and excluding capital lease obligation	(1,763,352)	(1,823,606)	**(1,532,147)**	**(1,798,325)**	**(14,875,213)**	**(17,459,466)**
Derivatives:						
Forward exchange contracts	(728)	(488)	**213**	**330**	**2,068**	**3,204**
Interest rate and currency swap agreements	884	(15,277)	**5,975**	**(4,585)**	**58,010**	**(44,515)**
Option contracts —						
Purchased	270	229	**127**	**52**	**1,233**	**505**
Written	(29)	(29)	**–**	**–**	**–**	**–**

The fair values of financial instruments at March 31, 1999 and 2000 are determined by using a variety of methods and assumptions such as reference to various markets and other data as appropriate. For long-term receivables, trade and long-term loans included in investments and advances-other, fair value is estimated using estimated discounted values of future cash flows. For long-term debt, fair value is estimated using market quotes, or where market quotes are not available, using estimated discounted future cash flows for the same or similar types of instruments. Investments in equity securities, included in investments and advances-other, with an aggregated carrying value of ¥162,320 million and ¥162,475 million ($1,577,427 thousand) at March 31, 1999 and 2000, respectively, consist of numerous investments in securities of non-public companies. It is not practicable to reasonably estimate the fair values of these investments. Fair value of the forward exchange contracts is estimated by obtaining quotes for futures contracts with similar maturities, and fair value of the interest rate and currency swap agreements is estimated based on the discounted values of net future cash flows, and fair value of the option contracts is estimated using pricing models based upon current market interest and foreign exchange rates and volatilities.

(2) Derivative financial instruments

In the normal course of business, the company enters into various derivative financial instruments in order to manage exposures resulting from fluctuations in foreign currency exchange rates and interest rates. The primary classes of derivatives used by the company are forward exchange contracts, interest rate swap agreements, currency swap agreements and foreign currency purchased and written options as a normal part of its risk management efforts, which include those transactions designed as hedges but that do not qualify for hedge accounting under accounting principles generally accepted in the United States of America. Gains and losses on those derivative financial instruments qualified for hedge accounting are deferred and recognized in income when the hedged transaction occurs. Other derivatives used for hedging purposes but not qualifying for hedge accounting under accounting principles generally accepted in the United States of America are marked to market.

The forward exchange contracts have been entered into as hedges against the adverse impact of fluctuations in foreign currency exchange rates on monetary assets and liabilities denominated in foreign currencies arising from the company's operating activities. The company had outstanding forward exchange contracts which, at March 31, 1999, mature through March 2000 to purchase the equivalent of ¥27,526 million, principally U.S. Dollars and German Marks, and to sell the equivalent of ¥82,937 million, principally U.S. Dollars and German Marks, of various foreign currencies. At March 31, 2000, the company had outstanding forward exchange contracts which mainly mature through March 2001 to purchase the equivalent of ¥59,543 million ($578,087 thousand), principally U.S. Dollars , and to sell the equivalent of ¥175,334 million ($1,702,272 thousand), principally U.S. Dollars and EUR, of various foreign currencies.

The interest rate swap agreements are basically integrated with underlying debt obligations and designed to convert fixed rate debt into floating rate debt, or vice versa, and interest rate option agreements are also arranged so that exposures to losses resulting from fluctuations in interest rates are managed. The currency swap agreements and options are designed to limit exposures to losses resulting from fluctuations in foreign currency exchange rates. The aggregate notional principal amounts for interest rate swap agreements and currency swap agreements were ¥620,628 million and ¥585,846 million ($5,687,825 thousand) at March 31, 1999 and 2000, respectively. These agreements mature through 2009. The differentials to be paid or received related to interest rate swap agreements are recognized in interest expense over the terms of the agreements. The notional principal amounts of purchased interest rate option contracts were ¥25,279 million and ¥14,548 million ($141,243 thousand) at March 31, 1999 and 2000, respectively. These agreements mature through 2007. The notional principal amounts of written interest rate option contracts at March 31, 1999 was ¥1,680 million.

The counterparties to the company's derivative transactions are major financial institutions. As a normal business risk, the company is exposed to credit loss in the event of nonperformance by the counterparties, however, the company does not anticipate nonperformance by the counterparties to these agreements, and no material losses are expected.

15. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses approximated ¥381,239 million, ¥346,215 million and ¥315,163 million ($3,059,835 thousand) for the years ended March 31, 1998, 1999 and 2000, respectively.

16. ADVERTISING COSTS

The company expenses advertising costs as incurred. Advertising expenses amounted to ¥45,684 million, ¥34,766 million and ¥31,774 million ($308,485 thousand) for the years ended March 31, 1998, 1999 and 2000, respectively.

17. OTHER INCOME AND EXPENSES

(1) Exchange gains and losses

Foreign currency transaction gains and losses which were included in either other income or other expenses were as follows:

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Net exchange gains (losses)	¥1,954	¥(21,040)	**¥(34,398)**	**$(333,961)**

(2) Restructuring and other unusual items

For the year ended March 31, 2000, the company recorded a ¥148,022 million ($1,437,107 thousand) net charge for restructure and other unusual items, primarily associated with the liquidation or sales of the subsidiaries and refund of the amount overcharged in connection with the Defense Agency and the Defense Facilities Administration Agency of Japan.

18. LEASING ARRANGEMENTS

(1) Leasing of computer equipment

In the normal course of business, the company sells certain equipment to an affiliated financing company which in turn leases the equipment to certain government and government agency customers under operating leases. The company also agrees to repurchase that equipment at prescribed amounts at the expiration of the lease. The company has previously accounted for these transactions as sales which is consistent with accounting practices in Japan. The estimated accrued losses arising from future repurchases of computers have been provided for. Effective December 1, 1995, the company began to account for these transactions as assets owned and leased to others under operating leases as required by

accounting principles generally accepted in the United States of America. The company has not restated prior periods because the effect on earnings of applying the new accounting practice is not material. Income before taxes was reduced by ¥17,309 million for the year ended March 31, 1998, and loss before taxes was increased by ¥9,027 million for the year ended March 31, 1999 compared to income or loss that would have been reported if the company had previously followed the new accounting practice.

At March 31, 1999 and 2000, the company invested in computer equipment to be leased to others, amounting to ¥70,284 million less accumulated depreciation of ¥45,337 million and ¥59,301 million ($575,738 thousand) less accumulated depreciation of ¥40,104 million ($389,359 thousand), respectively. Future minimum lease payments from noncancelable leases as of March 31, 2000 are ¥5,433 million ($52,748 thousand) and ¥435 million ($4,223 thousand) for the years ending March 31, 2001 and 2002, respectively.

(2)Lease of facilities and equipment for the company's use

The company leases certain facilities and equipment for its own use. Gross amount of leased assets under capital leases included in machinery and equipment was ¥133,785 million and ¥122,253 million ($1,186,922 thousand) at March 31, 1999 and 2000, respectively. Accumulated amortization of the leased assets at March 31, 1999 and 2000 was ¥77,946 million and ¥78,007 million ($757,350 thousand), respectively.

The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments at March 31, 2000:

Year ending March 31	In millions of yen	In thousands of U.S. dollars
2001	¥23,157	$224,825
2002	14,924	144,893
2003	7,296	70,835
2004	3,675	35,680
2005	2,346	22,777
2006	523	5,078
Total minimum lease payments	51,921	504,088
Less — Amount representing interest	3,365	32,670
Present value of net minimum lease payments	48,556	471,418
Less — Current obligation	20,635	200,340
Long-term lease obligation	¥27,921	$271,078

During the year ended March 31, 2000, the company sold certain land, buildings, facilities and equipment for ¥176,057 million ($1,709,291 thousand). The assets were leased back from the purchaser over periods of one to four years. The resulting leases were classified for as operating leases and the resulting gain of ¥43,787 million ($425,117 thousand), relating to the profit on the sale in excess of the present value of the minimum lease payments over the lease terms, was recorded as other income, and deferred gain of ¥21,124 million ($205,087 thousand) is being amortized over the lease terms.

Rental expenses under operating leases, including the assets subject to sale-leaseback transactions discovered above, were as follows:

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Rental expenses under operating leases	¥122,730	¥118,584	**¥121,510**	**$1,179,709**

Future minimum rental payments are as follows:

Year ending March 31	In millions of yen	In thousands of U.S. dollars
2001	¥24,396	$236,854
2002	18,674	181,301
2003	16,178	157,068
2004	14,813	143,816
2005	4,771	46,320
2006 and thereafter	18,510	179,709

19. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2000 for the purchase of property, plant and equipment approximated ¥42,121 million ($408,942 thousand).

Contingent liabilities at March 31, 2000 for notes discounted, loans guaranteed and other guarantees amounted to approximately ¥132,910 million ($1,290,388 thousand).

20. RESTATEMENT OF FINANCIAL STATEMENTS

The company has applied SFAS No. 115 and has restated its prior years' consolidated financial statements. The following table presents a summary of the effects of the restatements on the consolidated balance sheet as of March 31, 1999 and the related consolidated statements of income, comprehensive income and retained earnings for the years ended March 31, 1998 and 1999.

	In millions of yen	
	1999	
March 31	As previously reported	As restated
Marketable securities (current and non-current)	¥295,880	¥405,585
Investments and advances	347,886	355,795
Deferred tax assets (current and non-current assets)	278,580	230,357
Long-term liabilities: Other	7,880	3,184
Minority shareholders' equity in consolidated subsidiaries	64,722	64,658
Retained earnings	299,148	313,262
Accumulated other comprehensive income (loss)	(57,442)	2,595

	In millions of yen			
	1998		1999	
Year ended March 31	As previously reported	As restated	As previously reported	As restated
Provision (benefit) for income taxes	¥48,033	¥ 41,514	¥ (67,558)	¥ (72,988)
Equity in earnings (losses) of affiliated companies	1,181	777	(6,324)	(5,068)
Net income (loss)	41,302	47,417	(157,947)	(151,261)
Comprehensive income (loss), net of tax —				
Net unrealized gain on securities	–	(16,930)	–	(24,065)

	Yen			
	1998		1999	
Year ended March 31	As previously reported	As restated	As previously reported	As restated
Net income (loss) per share of common stock:				
Basic	¥25.94	¥29.78	¥(98.66)	¥(94.49)
Diluted	24.05	27.36	(98.66)	(94.49)

21. SEGMENT INFORMATION

(1) Operating segments

The company has reorganized its organization structure by forming in-house companies, in order to concentrate its business resources into the Internet business fields for new growth of the company.

The following information about each operating segment are the segments of the company, for which separate financial information is available, and, of which operating profits or losses are reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance periodically. "NEC Solutions" provides Internet solutions to corporations, individuals and government/public sectors, and develops, designs, manufactures and markets mainframe computers called "ACOS series," PC servers, PCs, workstations, software products, etc. "NEC Networks" provides Internet solutions to network operators, and develops, designs, manufactures and markets mobile communication systems, transmission systems, switching systems, microwave communications systems, etc. "NEC Electron Devices" provides electron device solutions for the Internet industry, and develops, designs, manufactures, and markets DRAMs, microcomputers, ASICs, transistors, LCDs, capacitors, etc. "Others" consist of monitors, LCD projectors, electronic measuring and testing instruments, and electronic appliances for the home, etc. The company's products and services are generally unique to a single operating segment.

a. Sales

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Sales:				
NEC Solutions —				
External customers	¥1,734,171	¥1,915,682	**¥2,138,161**	**$20,758,845**
Intersegment	140,728	120,971	**132,464**	**1,286,058**
Total	1,874,899	2,036,653	**2,270,625**	**22,044,903**
NEC Networks —				
External customers	1,670,103	1,458,612	**1,422,302**	**13,808,757**
Intersegment	149,482	123,557	**105,456**	**1,023,845**
Total	1,819,585	1,582,169	**1,527,758**	**14,832,602**
NEC Electron Devices —				
External customers	918,001	830,434	**881,895**	**8,562,087**
Intersegment	233,311	214,450	**240,895**	**2,338,787**
Total	1,151,312	1,044,884	**1,122,790**	**10,900,874**
Others —				
External customers	578,847	554,684	**549,089**	**5,330,961**
Intersegment	204,734	166,859	**174,822**	**1,697,301**
Total	783,581	721,543	**723,911**	**7,028,262**
Eliminations	(728,255)	(625,837)	**(653,637)**	**(6,345,991)**
Consolidated total	¥4,901,122	¥4,759,412	**¥4,991,447**	**$48,460,650**

b. Segment profit or loss

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Operating income (loss):				
NEC Solutions	¥ 54,566	¥ 47,325	**¥ 84,430**	**$ 819,709**
NEC Networks	161,493	81,023	**57,110**	**554,466**
NEC Electron Devices	54,118	(54,450)	**49,444**	**480,039**
Others	(2,888)	(9,444)	**(2,747)**	**(26,670)**
Total	267,289	64,454	**188,237**	**1,827,544**
Eliminations	(8,892)	573	**(17,640)**	**(171,262)**
Unallocated amounts:				
Corporate expenses	(67,993)	(61,888)	**(60,183)**	**(584,301)**
Consolidated operating income	190,404	3,139	**110,414**	**1,071,981**
Other income	69,564	56,379	**218,444**	**2,120,815**
Other expenses	(168,975)	(284,244)	**(298,675)**	**(2,899,757)**
Consolidated income (loss) before income taxes	¥ 90,993	¥(224,726)	**¥ 30,183**	**$ 293,039**

c. Assets

	In millions of yen			In thousands of U.S. dollars
Year ended March 31	1998	1999	**2000**	**2000**
Total assets:				
NEC Solutions	¥1,117,808	¥1,211,188	**¥1,023,039**	**$ 9,932,418**
NEC Networks	1,011,004	984,514	**1,071,050**	**10,398,544**
NEC Electron Devices	1,262,376	1,204,262	**1,171,940**	**11,378,058**
Others	1,303,250	1,141,818	**758,059**	**7,359,796**
Total	4,694,438	4,541,782	**4,024,088**	**39,068,816**
Eliminations	(286,089)	(244,309)	**(222,528)**	**(2,160,466)**
Corporate assets	666,129	748,461	**807,404**	**7,838,873**
Consolidated total	¥5,074,478	¥5,045,934	**¥4,608,964**	**$44,747,223**

d. Other significant items

Year ended March 31	In millions of yen 1998	1999	2000	In thousands of U.S. dollars 2000
Depreciation:				
NEC Solutions	¥ 36,778	¥ 37,233	**¥ 31,119**	**$ 302,126**
NEC Networks	26,677	30,944	**32,770**	**318,155**
NEC Electron Devices	174,124	192,868	**153,559**	**1,490,864**
Others	27,622	24,169	**23,561**	**228,748**
Total	265,201	285,214	**241,009**	**2,339,893**
Corporate	20,661	21,228	**19,933**	**193,524**
Consolidated total	¥285,862	¥306,442	**¥260,942**	**$2,533,417**
Capital expenditures for segment assets:				
NEC Solutions	¥ 36,780	¥ 37,136	**¥ 31,662**	**$ 307,398**
NEC Networks	45,321	32,337	**32,955**	**319,951**
NEC Electron Devices	234,621	124,073	**171,857**	**1,668,515**
Others	46,282	34,385	**17,713**	**171,971**
Total	363,004	227,931	**254,187**	**2,467,835**
Corporate	22,342	25,692	**27,452**	**266,524**
Consolidated total	¥385,346	¥253,623	**¥281,639**	**$2,734,359**

The capital expenditures in the above table represent the additions to fixed assets of each segment.

(2) Geographic information

Sales which are attributed to geographies based on the country location of NEC Corporation or the subsidiaries that transacted the sale with the external customers, operating income and long-lived assets for the years ended March 31, 1998, 1999 and 2000 are as follows. Although the geographic information of operating income is not required under SFAS No. 131, the company discloses this information as supplemental information in light of the disclosure requirement of the Japanese Securities and Exchange Law.

Year ended March 31	In millions of yen 1998	1999	2000	In thousands of U.S. dollars 2000
Net sales:				
Japan	¥4,048,556	¥3,662,123	**¥3,745,910**	**$36,368,058**
North America	400,173	519,134	**521,684**	**5,064,893**
Others	452,393	578,155	**723,853**	**7,027,699**
Total	¥4,901,122	¥4,759,412	**¥4,991,447**	**$48,460,650**
Operating income (loss):				
Japan	¥ 207,841	¥ 54,732	**¥ 120,141**	**$ 1,166,417**
North America	(4,558)	(37,730)	**(13,705)**	**(133,058)**
Others	(8,929)	(12,168)	**4,774**	**46,350**
Eliminations	(3,950)	(1,695)	**(796)**	**(7,728)**
Total	¥ 190,404	¥ 3,139	**¥ 110,414**	**$ 1,071,981**
Long-lived assets:				
Japan	¥1,384,494	¥1,356,772	**¥1,213,264**	**$11,779,262**
North America	95,500	101,631	**65,023**	**631,291**
Others	208,253	150,030	**126,628**	**1,229,398**
Total	¥1,688,247	¥1,608,433	**¥1,404,915**	**$13,639,951**

There are not any individually material countries with respect to the sales and long-lived assets included in other areas.

Transfers between reportable operating or geographic segments are made at arm's-length prices. Operating income is sales less costs and operating expenses. Corporate expenses include general corporate expenses and R&D expenses at NEC Corporation which are not allocated to any operating segment. Unallocated corporate assets consist primarily of cash and cash equivalents and buildings maintained for general corporate purposes.

(3) Major customers

Sales to one of the major customers of the company accounted for approximately 12.6%, 10.6% and 11.6% of consolidated sales for the years ended March 31, 1998, 1999 and 2000, respectively, mainly in NEC Networks and NEC Solutions segments.

REPORT OF INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers
Yebisu Garden Place Tower
20-3, Ebisu 4-chome
Shibuya-ku, Tokyo 150-6013
Telephone 03-5424-8100
Facsimile 03-5424-8101

May 11, 2000

To the Board of Directors and Shareholders of NEC Corporation
(Nippon Denki Kabushiki Kaisha)

We have audited the accompanying consolidated balance sheets of NEC Corporation and its consolidated subsidiaries as of March 31, 1999 and 2000, and the related consolidated statements of income, comprehensive income and retained earnings and of cash flows for each of the three years in the period ended March 31, 2000 stated in yen. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our report dated June 18, 1999, we expressed an opinion that the consolidated financial statements present fairly, in all material respects, the financial position of NEC Corporation and its consolidated subsidiaries at March 31, 1998 and 1999, and the results of operation and their cash flows for each of the three years in the period ended March 31, 1999, in conformity with accounting principles generally accepted in the United States of America, except for the effects of the departure from SFAS No. 115 in accounting for certain investments in debt and equity securities, and the omission of segment information. As described in Notes 2 and 20, the company has applied SFAS No. 115 and has presented segment information and restated its prior years' consolidated financial statements. Accordingly, our present opinion on the prior years' consolidated financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NEC Corporation and its consolidated subsidiaries at March 31, 1999 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

DIRECTORS, CORPORATE AUDITORS AND CORPORATE OFFICERS

(As of June 29, 2000)

CHANGES IN MANAGEMENT

On April 3, 2000, NEC introduced an in-house company system and created the position of corporate officer. Based on this, 18 Directors including Tatsuo Sakairi and Hirokazu Akiyama, formerly Senior Executive Vice Presidents, and Yoshi Takayama, formerly Executive Vice President, resigned as the Board of Directors on the same date.

At the Ordinary General Meeting of Shareholders held on June 29, 2000, 7 Directors including Hajime Sasaki and Koji Nishigaki were reelected to the Board of Directors, and Toshio Morikawa, Chairman of the Board, The Sumitomo Bank, Limited, was newly elected to the Board of Directors. Tatsuo Sakairi and Koichi Yoshida, President, Sumitomo Life Insurance Company, were newly elected Corporate Auditors, effective the same date.

Kyonosuke Ibe, Tadahiro Sekimoto and Hisashi Kaneko retired from the Board of Directors, and Tadashi Suzuki, Masaaki Arai and Michio Nishi retired from Corporate Auditors on June 29, 2000.

Followings are Directors, Corporate Auditors and Corporate Officers as of June 29, 2000.

DIRECTORS AND CORPORATE AUDITORS

Directors

Hajime Sasaki	*Chairman of the Board*
Koji Nishigaki	*President*
Masato Chiba	*Senior Executive Vice President*
Mineo Sugiyama	*Senior Executive Vice President*
Eiichi Yoshikawa	*Executive Vice President*
Shigeo Matsumoto	*Executive Vice President*
Kanji Sugihara	*Executive Vice President*
Akinobu Kanasugi	*Executive Vice President*
Yoshio Omori	*Senior Vice President*
Kazuhiko Kanou	*Senior Vice President*
Yukihiko Baba	*Senior Vice President*
Iwao Shinohara	*Senior Vice President*
Kaoru Tosaka	*Senior Vice President*
Tatsuo Ishiguro	*Senior Vice President*
Norio Saito	*Senior Vice President*
Kaoru Yano	*Senior Vice President*

Toshio Morikawa
Chairman of the Board,
The Sumitomo Bank, Limited

Corporate Auditors

Tatsuo Sakairi
Toshio Ono
Satoshi Tamaki
Koichi Yoshida
President,
Sumitomo Life Insurance Company

CORPORATE OFFICERS

Corporate Headquarters

Chairman of the Board
Hajime Sasaki*

President
Koji Nishigaki*

Senior Executive Vice President
Masato Chiba*

Executive Vice Presidents
Eiichi Yoshikawa*
Shigeo Matsumoto*

Senior Vice Presidents
Yoshio Omori*
Kazuhiko Kanou*
Tatsuo Ishiguro*
Kaoru Yano*
Masakatsu Miwa

Associate Senior Vice Presidents
Makoto Maruyama
Satoshi Nakaichi
Shunichi Suzuki
Hideki Teranishi

NEC Solutions

Company President
Akinobu Kanasugi*

Company Deputy Presidents
Kaoru Tosaka*
Norio Saito*

Senior Vice Presidents
Tatsuya Mizuguchi
Kouichi Ohtsuka
Toshiro Kawamura
Kazuhiko Kobayashi
Yukio Doi
Yasushi Kaito
Taiji Suzuki
Toshihiko Takahashi
Katsuichi Tomita

Associate Senior Vice Presidents
Kotaro Kato
Teruyuki Kaimoto
Hiroshi Takakuta
Rokuro Yoshimoto
Kenji Ikehara
Yoshiaki Tsuda
Konosuke Kashima

NEC Networks

Company President
Mineo Sugiyama*

Company Deputy Presidents
Yukihiko Baba*
Iwao Shinohara*

Senior Vice Presidents
Hiromi Hayashi
Kazumasa Fujie

Associate Senior Vice Presidents
Atsushi Minato
Hideaki Kihara
Hirofumi Okuyama
Masao Hibino
Kazunori Kiuchi
Toshiyuki Takenaka
Kanehiro Kubota
Tsutomu Nakamura

NEC Electron Devices

Company President
Kanji Sugihara*

Company Deputy Presidents
Shigeki Matsue
Keiichi Shimakura

Senior Vice Presidents
Toshiki Inazumi
Kyoji Yamamoto

Associate Senior Vice Presidents
Tsuneo Kawaguchi
Haruo Akiyama
Koichiro Inoue
Masato Sakata
Toshio Nakamura
Sadayuki Kishi

* indicates Directors

INVESTOR INFORMATION

Transfer Agent for Common Stock
The Sumitomo Trust and Banking Company, Limited
4-4, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8233, Japan

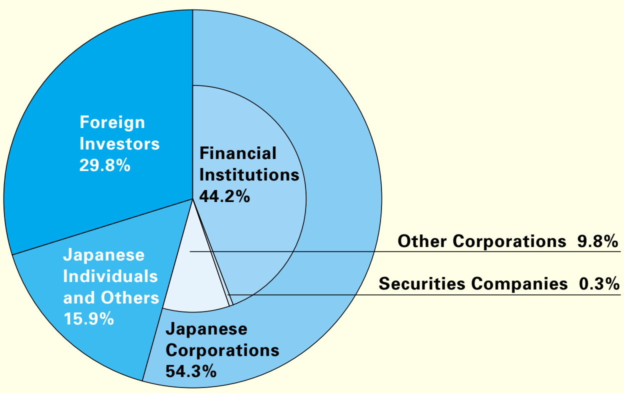
Stock Exchange Listings and Quotations
NEC common stock is listed on the Tokyo and five other stock exchanges in Japan. Overseas listings are on the Swiss Exchange (in the form of Swiss Bearer Depositary Receipts), the Frankfurt Stock Exchange (in the form of a Global Bearer Certificate), the London Stock Exchange, and Amsterdam Exchanges. American Depositary Receipts for common stock (Symbol: NIPNY) are quoted in the NASDAQ system in the United States.

Depositary for American Depositary Receipts (ADRs)
The Bank of New York
101 Barclay Street, New York, NY 10286, U.S.A.
Tel: (212) 815-2042
U.S. toll free: (888) 269-2377 (888-BNY-ADRS)

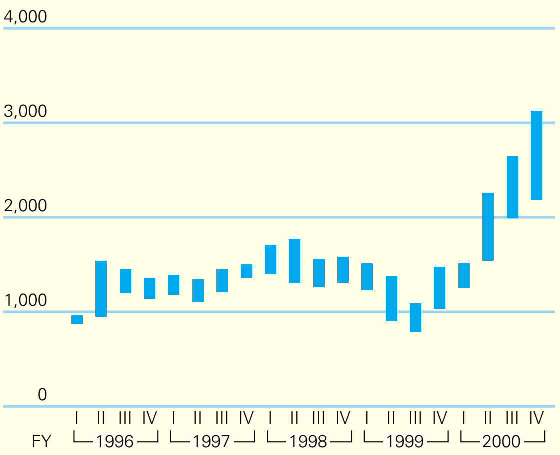
Sponsoring Bank for Global Bearer Certificate (GBC)
Deutsche Bank A.G.
Taunusanlage 12, 60325 Frankfurt am Main, Germany

Depositary Agent for Swiss Bearer Depositary Receipts (SBDRs)
UBS AG
P.O. Box 8098, Zurich, Switzerland

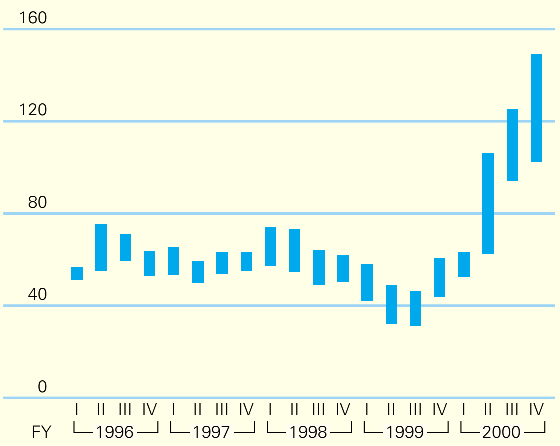
Composition of Shareholders
(As of March 31, 2000)



Stock Price Range on the Tokyo Stock Exchange (Yen)



ADR (NASDAQ) Price Range (U.S. dollars)



NEC FACTS

(As of March 31, 2000)

FACILITIES

JAPAN

Consolidated Subsidiaries

The Company has 87 consolidated subsidiaries throughout Japan.

Manufacturing Plants

The Company has six major plants in or near Tokyo, and its consolidated subsidiaries maintain 56 plants throughout Japan.

Marketing Network

The Company and its consolidated subsidiaries have nearly 400 sales offices located in major cities throughout Japan.

R&D Facilities

The Company has five R&D facilities near Tokyo and two in the Osaka area.

OVERSEAS

Consolidated Subsidiaries

The Company has 78 consolidated subsidiaries in 23 countries.

Manufacturing Plants

The Company's 66 majority-owned manufacturing subsidiaries and affiliates (in which it has ownership interests of 20% to 50%) operate a total of 64 plants in 20 countries.

Marketing Network

The Company has 150* marketing and service subsidiaries and affiliates in 34 countries and 19 liaison offices in 19 countries.

R&D Facilities

The Company has two R&D facilities in the United States and one in Germany.

**Including 44 manufacturing subsidiaries and affiliates*

MAJOR CONSOLIDATED SUBSIDIARIES

JAPAN

NEC Home Electronics, Ltd.
NEC Kansai, Ltd.
NEC Personal Systems, Ltd.
NEC Field Service, Ltd.
NEC Kyushu, Ltd.
NEC Yonezawa, Ltd.
NEC Shizuoka, Ltd.
NEC Logistics, Ltd.
NEC Gunma, Ltd.
NEC Saitama, Ltd.
Japan Aviation Electronics Industry, Limited
Nippon Avionics Co., Ltd.

OVERSEAS

NEC Electronics Inc. (U.S.A.)
NEC America, Inc. (U.S.A.)
NEC Computers International B.V. (Netherlands)

Trademarks

- NEC, BIGLOBE, and ProgressiveUnity, appearing in this annual report are trademarks of NEC Corporation in Japan and other countries.
- BankingWeb21, C&C, iBestSolutions, and Invitation to the Internet are trademarks of NEC Corporation in Japan.
- All other names may be trademarks of their respective owners.

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Investor Relations home page: http://www.nec.co.jp/ir-e

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Exhibit C

NEC CORPORATION Profile

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WELCOME

Hoover's is the business information resource that delivers a unique combination of up-to-date data, broad coverage, and comprehensive information about companies, decision makers, and industries - along with powerful tools to put this information to work for your business. Hoover's offers everything you need to successfully:

* Identify and evaluate potential sales leads, markets, and business partners
* Deepen relationships with current customers
* Assess competitive risks and eliminate threats
* Build presentation-ready reports and customized lists of companies, industries, and decision makers

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Table of Contents

Company Overview

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Minato-Ku 108-0014 Tokyo Japan
Phone : +81-334541111
http://www.nec.com

NEC knows a little something about Networking, Electronics, and Computers. The Japanese tech giant provides a broad range of IT products and services through five business groups. IT Services offers consulting, integration, and support services. Personal Solutions oversees personal computers, monitors, mobile handsets, and Internet service. Carrier Network supplies network infrastructure equipment for telecom carriers. The Platform business supplies network systems such as servers, supercomputers, storage equipment, and IP telephony systems, while the Social Infrastructure segment provides broadcasting systems, satellites, CCTV surveillance, and other security systems. NEC does most of its business domestically.

Key Information

DUNS Number	690541685
Location Type	Headquarters
Subsidiary Status	No
Manufacturer	No
Company Type	Public
Plant/Facility Size (sq. ft.)	0.00
Foreign Trade	Imports / Exports
Accountant	Ernst & Young ShinNihon
Total Employees	100,914
1-Year Employee Growth	(1.43%)
Employees At This Location	0
Year of Founding or Change in Control	1899
Primary Industry	1092:Computer Hardware Manufacturing
Primary SIC Code	73730000:Computer integrated systems design
Primary NAICS Code	541512:Computer Systems Design Services

Key Financials

Fiscal Year-End	March
Sales ($ M)	$29,597.33M
1-Year Sales Growth	(9.18%)
Net Income	$404.55M
1-Year Net Income Growth	(1.61%)
Total Assets	$24,366.83M
Market Value	$9,195.70M

Company Rankings

Nikkei 225

Key People

Name	Title
Mr. Kaoru Yano	Chairman
Mr. Nobuhiro Endo	President and Director

Name	Title
Mr. Toshiyuki Mineno	Executive Vice President, Chief Marketing Officer

Company Description

NEC has suffered declining revenues since the onset of the global economic recession that began in late 2008. Sales dropped again in fiscal 2011 by about 13%, which was less severe than the 15% decline of the previous year. Unlike 2010 when the company was able to earn a profit by cutting ¥320 billion ($3.4 billion) in operating costs, mostly by reducing headcount of outsourced engineers and administrative expenses, NEC lost money in 2011. In addition to a slow recovery in the Japanese IT market and the catastrophic 2011 earthquake in eastern Japan, the company cited the 2010 spin off of its Electron Devices semiconductor business segment as the key contributor to lower sales in 2011. It divested NEC Electronics which was combined with Renesas Technology to form Renesas Electronics, a specialist in semiconductor systems for mobile phones and automotive appications. The merging of NEC Electronics and Renesas created one of the largest chip makers in Japan, rivaling Toshiba Semiconductor. The move was prompted by intense competition in the mobile handset sector, particularly outside Japan; NEC decided that getting out of the global chip business would enable it to better concentrate on its core domestic sales efforts.
NEC continues to pursue a strategy that includes efforts to address the growing market for products and services that support corporate cloud computing and attempts to expand its global business. To further its cloud computing strategy, the company's IT Services division has revamped its core IT system into a hosted service platform, and developed systems to enable customers to provide their own cloud computing services from its data centers. As part of this, NEC announced in 2011 that it would form a joint venture with ST Electronics, the electronics unit of Singapore Technologies Engineering, to offer Software-as-a-Service (SaaS) capabilities from a new data center to clients in Asia. NEC will own a 60% stake in the business, which will be known as NEC STEE Cloud Services.
In 2012, NEC bought the IT services (managed services, enterprise services, and consulting) business of CSG Limited, extending its reach in Australia. The acquired business will be an independent business unit within NEC Australia.
NEC enlisted even more help on its business support and cloud expansion hopes in 2012 when its NetCracker subsidiary bought Massachusetts-based Convergys' information management business for about $450 million. The unit made business support systems software designed for the communications, utilities, and logistics industries, among others. The products were integrated into NetCracker's operations.
The IT Services unit's other core services are systems integration, consulting, and maintenance. It supports public sector and health care IT and digital records systems; banking and broadcast systems for financial services, telecom carriers, and media companies; production and sales management systems for manufacturers; and inventory and distribution systems for retail and consumer services companies.
NEC restructured its Personal Solutions division in 2011 by breaking out its domestic PC business to become part of a new joint venture with Hong Kong-based PC maker Lenovo. Known as NEC Lenovo Japan Group, the business markets personal computers in Japan. Lenovo contributed its Tokyo-based Lenovo Japan subsidiary and $175 million in stock to the new enterprise, which is the largest PC seller in Japan, giving it 51% ownership. NEC Lenovo Japan Group competes with other Japanese companies (Fujitsu and Toshiba), as well as US-based vendors (Dell and HP). Personal Solutions continues to handle international PC sales, as well as peripherals, mobile devices, and BIGLOBE, one of Japan's top Internet service providers.
NEC's Carrier Network unit provides enterprise and carrier-grade communications infrastructure and access networking equipment, including optical systems, switching gear, wireless base stations, satellite systems, broadcasting transmitters, studio equipment, and IP telephony systems. It also provides operational and systems support services. Telecom companies make up a large segment of the division's customers.
Together NEC's IT Services, Personal Solutions, and Carrier Network divisions accounted for 70% of sales in 2011 (up from nearly two-thirds the previous year).
Formerly the company's largest segment (representing almost a quarter of sales in 2009) NEC's Network business was renamed as the Platform unit in 2010 when the company reorganized and disbanded Electron Devices. Platform sells enterprise computing products such as workstations, servers, thin clients, mainframes, enterprise software, supercomputers, storage systems, and networking equipment. Due to decreased demand for hardware, the segment accounted for only 12% of sales in 2011.
To diversify its business, in 2011 NEC bought Jicoux Datasystems, a unit of Mitsubishi that offers fleet management services for commercial vehicles. NEC wants to develop information services that automatically exchange information between commercial and privately owned vehicles. Vehicle-to-vehicle communications systems -- also called automotive telematics -- are hoped to help ease traffic congestion.
As for its global business, sales outside Japan make up 15% of revenues. In recent years NEC has consolidated a number of its hundreds of international subsidiaries across Asia, and in the US, including the merger of NEC Infrontia and NEC Unified Solutions into NEC America. In 2011 the company established a Latin American headquarters in Sao Paulo, Brazil to act as the hub for all of its business in the region; it also has operations in Argentina, Chile, Colombia, and Mexico. NEC also has partnerships with Alcatel-Lucent, EMC, and Philips to develop products specifically aimed at markets outside Japan.

With Fujitsu, Fujitsu Semiconductor, Panasonic Mobile Communications, and Samsung Electronics, the company attempted to establish a joint venture that would develop and market semiconductor products for mobile devices, but it was abandoned after being unable to come to an agreement over details by the deadline in 2012.

Company History

A group of Japanese investors, led by Kunihiko Iwadare, formed Nippon Electric Company (NEC) in a joint venture with Western Electric (US) in 1899. Starting as an importer of telephone equipment, NEC soon became a maker and a major supplier to Japan's Communications Ministry. Western Electric sold its stake in NEC in 1925. The company became affiliated with the Sumitomo *keiretsu* (industrial group) in the 1930s and went public in 1949.
After Nippon Telegraph and Telephone (NTT) was formed in 1952, NEC became one of its four leading suppliers. The post-WWII need to repair Japan's telephone systems and the country's continuing economic recovery resulted in strong demand from NTT for NEC's products. In the 1950s and 1960s NTT business represented more than half of sales, even though NEC expanded overseas, diversified into home appliances, and formed a computer alliance with Honeywell. NTT, which began acquiring shares in the company decades earlier and owned as much as 59% of NEC, sold its stake in the 1960s.
In the 1970s Honeywell's lagging position in computers hurt NEC; the company recovered through in-house development efforts and a mainframe venture with Toshiba. In 1977 CEO Koji Kobayashi articulated his revolutionary vision of NEC's future as an integrator of computers and communications through semiconductor technology.
NEC invested heavily in R&D and expansion, becoming the world's largest semiconductor maker in 1985. Despite its proprietary operating system, NEC garnered more than 50% of the Japanese computer market in the 1980s. NEC entered into a mainframe computer partnership with Honeywell and France's Groupe Bull in 1987.
By the early 1990s NEC lost its status as the world's largest semiconductor maker to Intel. NEC bought 20% of US computer maker Packard Bell in 1995 and merged most of its PC business outside Japan with that company, creating Packard Bell NEC in 1996. Also in 1996 NEC created US subsidiary Holon Net Corp. to make hardware and software for Internet and intranet markets.
NEC took control of Packard Bell NEC in 1998, upping its stake to 53%. A sluggish Japanese economy and slumping memory prices contributed to NEC's drop in income for fiscal 1998. A defense contract scandal involving overbilling and improper hiring by an NEC unit forced the resignation of chairman Tadahiro Sekimoto and, later, president Hisashi Kaneko.
President Koji Nishigaki, the first at NEC without an engineering background, led a sweeping reorganization to cut 10% of the company's workforce -- 15,000 employees -- over three years. He revamped NEC operations around Internet application hardware, software, and services. In 1998 NEC formed a rare pact with a Japanese rival, allying with Hitachi to consolidate memory chip operations. The restructuring of Packard Bell NEC (NEC by then owned 88%) helped cause a $1.3 billion loss for fiscal 1999, NEC's worst-ever drop. NEC folded up its Packard Bell NEC division later that year, imposing layoffs of about 80% of its staff, divesting it from the US retail market, and excising the historic Packard Bell brand name in that region.
NEC restructured again in 2000, splitting into more autonomous units and streamlining its PC operations. That year the company launched an aggressive spending program in a move to lead the broadband mobile networking market.
In 2001 NEC ended a long-running dispute with Cray, investing $25 million in the company and granting distribution rights to its vector supercomputers in North America -- a deal contingent upon Cray's dropping an antidumping suit that led to heavy import taxes being placed on NEC supercomputers sold in the US.
Nishigaki became vice chairman in 2004, and Akinobu Kanasugi was named president. Kanasugi held the post just two years, until poor health forced him to turn the reins over to SVP Kaoru Yano. Yano stepped down as president in April 2010 but retained his position as chairman. SVP Nobuhiro Endo, who has been with the company since 1981, was promoted to president.
In 2004 NEC took public its DRAM joint venture, Elpida Memory, thereby reducing its stake in the company and the volatile memory sector. NEC also sold its plasma display business to Pioneer that same year. In 2005 the company dissolved its monitor joint venture with Mitsubishi and took full ownership of the unit (NEC Display Solutions). The next year it sold its European PC operations, Packard Bell, to Lap Shun "John" Hui, a co-founder of eMachines.
The company joined with Sumitomo Electric Industries in 2008 to acquire fiber-optic submarine cable manufacturer OCC Holdings; NEC and Sumitomo acquired 75% and 25% stakes, respectively.
Kaoru Yano stepped down as president of NEC in 2010 but retained his position as chairman. SVP Nobuhiro Endo, who has been with the company since 1981, was promoted to president.

Industry Information

Hoover's Industries

- Computer Hardware Manufacturing **(primary)**
  - Computer Manufacturing
    - Personal Computer Manufacturing
    - Server & Mainframe Manufacturing
    - Supercomputer Manufacturing
    - Workstation & Thin Client Manufacturing
  - Computer Networking Equipment Manufacturing
  - Computer Peripheral Equipment Manufacturing
    - Computer Display & Projector Manufacturing
  - Data Storage Systems Manufacturing
    - PC Storage Drive Manufacturing
- Consumer Services
  - Electronic Equipment Repair Services
- Control, Electromedical, Measuring & Navigational Instruments Manufacturing
  - Search, Detection, Navigation & Guidance System Manufacturing
- Professional Services Sector
  - Information Technology Services
- Semiconductor & Other Electronic Component Manufacturing
  - Semiconductor Manufacturing
    - Discrete & Passive Semiconductor Manufacturing
    - Memory Chip & Module Manufacturing
    - Microprocessor, Microcontroller & Digital Signal Processor Manufacturing
- Telecommunications Equipment Manufacturing
  - Satellite & Broadcast Network Equipment Manufacturing

Primary SIC Code
73730000 : Computer integrated systems design
Primary NAICS Code
541512 : Computer Systems Design Services

Denotes In-depth Industry Insight by Hoover's Editorial Staff

People

Employees

Title	Name	Age	Salary	Bonus
Chairman	Mr. Kaoru Yano	70	--	--
President and Director	Mr. Nobuhiro Endo	60	--	--
Executive Vice President, Chief Marketing Officer	Mr. Toshiyuki Mineno	63	--	--

Board Members

Title	Name	Age
Chairman	Mr. Kaoru Yano	70
President and Director	Mr. Nobuhiro Endo	60

Biographies

Kaoru Yano, Age 70

Title held since 2010 : Chairman

Current Company Titles

2010 - Present : Chairman

2006 - 2010 : President and Director

Unknown - 2006 : SEVP

Biography

Kaoru Yano was appointed Chairman of NEC Corporation effective April 1, 2010, and is responsible for overall management of fundamental matters related to business operations. During his tenure as President, Yano focused on determining the strategic direction of the NEC Group, and fortified business by leveraging NEC's core competence in the integration of IT and Networks. He organized a structure for "The NEC Way," which articulates the future "Vision" that NEC is seeking to achieve and the "Core Values" that are necessary in order to reach these goals. He has also overseen the NEC Group's implementation of a wide range of innovations as part of a "One NEC" concept that is essential for contributing to customers, supporting development and realizing growth based on The NEC Way, Vision and Core Values. Yano joined NEC in 1966. He spent his first two decades with the company developing communications equipment, and was then assigned to NEC America, where he led the development and sales team for the communications business in the North American market. Since then, he has held key positions mainly in the network infrastructure business for both Japanese and global markets, and has been instrumental in re-inventing the business to rapidly respond to changes in the marketplace brought on by the Internet and the shift to IP technologies. Yano has also driven the technological advancement of the NEC Group, as he took a key position in promoting NEC's Research and Development. Throughout his career, Yano has focused on driving innovation through advanced technologies, and building strong relationships with a diverse field of customers, including telecommunications carriers, the public sector and enterprises worldwide. Yano resided in the US on three separate occasions, earning a Master's degree in Electrical Engineering from Stanford University during one stay, and is known for his broad international perspectives.

Source : Company Web Site, 2010

Nobuhiro Endo, Age 60

Title held since 2010 : President and Director

Current Company Titles

2010 - Present : President and Director

2009 - 2010 : SVP and Director

2008 - 2009 : Associate SVP

Biography

Nobuhiro Endo was appointed President of NEC Corporation effective April 1, 2010 after serving as the Senior Vice President. During his tenure as Senior Vice President, Endo's responsibilities included corporate strategy and business development, and he held a key position in driving

various management reforms of the NEC Group. Endo has also taken a key responsibility in formulating the mid-term growth plan of the NEC Group, "V2012 -Beyond boundaries, Toward our Vision-" Endo joined NEC in 1981. He spent the next two decades in the development of wireless communication systems, mainly for satellite communication systems and mobile phone base stations. In 2003, Endo led business for the ultra compact microwave communications system, "PASOLINK," which achieved a No.1 global market share*, through increasing market share in overseas markets, driven by growth in emerging countries. Throughout his career, Endo has focused on driving innovation through advanced technologies for customers worldwide, and building strong relationships with a diverse field of customers both in Japan and worldwide. Endo is known for his wide-ranging international perspectives through his extensive experiences in the global market and time living abroad.

Source : Company Web Site, 2010

Toshiyuki Mineno, Age 63

Title held since 2012 : Executive Vice President, Chief Marketing Officer

Current Company Titles

2012 - Present : Executive Vice President, Chief Marketing Officer

2010 - 2012 : SVP and Director

Historical Events

Date	Event	Details
2010-02-25	Top Executive Change	The company announced that Kaoru Yano will resign as president on 04/01/2010, but will become chairman.
2010-02-25	Top Executive Change	The company announced that Nobuhiro Endou will be named president on 04/01/2010.
2007-10-03	Exchange/Ticker Change	The company changed from NASDAQ (GS): NIPNY to Pink Sheets: NIPNY.
2006-04-01	Top Executive Change	Kaoru Yano succeeded Akinobu Kanasugi.
2006-03-15	Top Executive Change	The company announced that Kaoru Yano will succeed Akinobu Kanasugi on 04/01/2006.

Company Financials

Financial Summary

Company Type	Public Tokyo: 67010 Headquarters
Fiscal Year-End	March
2014 Sales	$29,597.33M
1-Year Sales Growth	(9.18%)
2014 Net Income	$404.55M
1-Year Net Income Growth	(1.61%)
Prescreen Score	
Auditor	Ernst & Young ShinNihon

Financial Market Data

Current Information

Last Close (31-Oct-2014)	$3.54	Price/Sales Ratio	0.33
52-Week High	$3.71	Price/Book Ratio	1.38
52-Week Low	$1.93	Price/Earnings Ratio	22.22
60-Month Beta	1.15	Price/Cash Flow Ratio	7.61
Market Cap	$9,195.70M	Return on Assets	1.86%
Shares Outstanding	2,598.22M	Return on Equity	5.97%
Dividend Rate	--	Current Ratio	1.46
Dividend Yield	0.88%	Long-Term Debt/Equity	0.74
# of Institutional Holders		% Owned by Institutions	--
Latest Short Interest Ratio	--	Latest Net Insider Transactions	

Growth	12 Month	36 Month	60 Month
Revenue Growth	(0.93%)	(0.78%)	(6.31%)
EPS Growth	10.87%	--	--
Dividend Growth	(11.32%)	--	--

Historical Financials

Income Statement

Year	Revenue ($ M)	Net Income ($ M)	Net Profit Margin	Employees
Mar 2014	29,597.33	404.55	1.37%	100,914
Mar 2013	32,589.77	411.17	1.26%	102,375
Mar 2012	36,906.67	(1,274.76)	--	109,102
Mar 2011	37,593.82	(83.15)	--	115,840
Mar 2010	38,655.00	123.29	0.32%	142,358
Mar 2009	43,332.18	(3,049.22)	--	
Mar 2008	46,499.35	228.42	0.49%	152,922
Mar 2007	39,473.07	77.44	0.20%	154,786
Mar 2006	41,040.85	103.24	0.25%	154,180
Mar 2005	45,278.96	632.90	1.40%	147,800

2014 Year-End Financials

Debt Ratio	61.69%
Return on Equity	5.97%
Cash ($ M)	1,873.89
Current Ratio	1.52
Long-Term Debt ($ M)	4,605.59
Shares Outstanding (M)	2,598.22
Dividend Yield	0.01%
Dividend Payout	0.25
Market Cap ($ M)	8,010.67

Stock History

	Stock Price ($)			P/E		Per Share ($)		
Year	FY High	FY Low	FY Close	High	Low	Earns.	Div.	Book Value
Mar 2014	3.45	1.95	3.08	27.33	15.47	0.13	0.03	2.87
Mar 2013	2.95	1.02	2.60	23.74	8.20	0.12	0.04	3.41
Mar 2012	2.35	1.77	2.10	--	--	-0.52	0.00	3.63
Mar 2011	3.81	1.76	2.18	--	--	-0.06	0.00	4.07
Mar 2010	4.08	2.23	3.03	76.99	42.16	0.05	0.04	3.87
Mar 2009	6.25	2.19	2.71	--	--	-1.50	--	3.98
Mar 2008	6.75	3.76	3.83	62.97	35.06	0.11	--	4.87
Mar 2007	7.81	4.56	5.36	207.67	121.22	0.04	--	4.34
Mar 2006	7.04	4.75	7.03	143.25	96.71	0.05	--	3.93
Mar 2005	8.74	5.18	6.04	29.40	17.41	0.30	--	4.47

Competitors List

Company	Gross Revenue	Net Profit Margin	Net Operating Cash Flow
Acer	$11,996.00M	(6.00%)	($288.16M)
Alcatel-Lucent	$19,872.60M	(1.83%)	($185.84M)
AMD	$5,299.00M	0.85%	($148.00M)
Apple Inc.	$182,795.00M	21.61%	$59,713.00M
Avaya	$4,708.00M	--	--
BlackBerry	$6,813.00M	(123.62%)	($159.00M)
Canon	$35,455.57M	6.78%	$4,823.61M
CASIO COMPUTER	$3,129.45M	5.68%	$390.08M
Cisco Systems	$47,142.00M	16.66%	$12,332.00M
Citizen	$3,015.00M	5.82%	$318.27M
Dell	$56,940.00M	2.36%	$3,283.00M
Emerson Electric	$24,669.00M	10.32%	$3,649.00M
Epson	$9,761.07M	12.19%	$1,082.05M
Ericsson	$35,084.12M	6.06%	$2,683.12M
FUJIFILM	$23,497.92M	2.45%	$2,116.18M
Fujitsu (Top Competitor)	$46,490.13M	(1.66%)	$753.42M
Harris Corp.	$5,012.00M	10.73%	$849.20M
Hewlett-Packard	$112,298.00M	4.54%	$11,608.00M
Hitachi (Top Competitor)	$95,925.76M	1.13%	$6,191.02M
Huawei Technologies	--	--	--
IBM	$99,751.00M	13.06%	$17,485.00M
Intel	$52,708.00M	19.40%	$20,776.00M
Kyocera	$14,077.11M	5.90%	$1,450.55M
Lenovo	$38,707.13M	2.11%	$1,432.06M
Lexmark	$3,667.60M	7.14%	$480.00M
Micron Technology	$16,358.00M	18.61%	$5,699.00M
Microsoft	$86,833.00M	23.35%	$32,231.00M
Mitsubishi Electric	$38,199.05M	1.93%	$878.00M
Motorola Solutions	$8,696.00M	18.99%	$944.00M
Nokia	$17,495.21M	24.13%	$99.12M
Nortel Networks	$2,856.23M	52,800.00%	--
NTT DATA	$13,069.53M	1.68%	$2,280.98M
Oki Electric	$4,698.75M	5.84%	$309.95M
Panasonic Corp	$75,245.60M	0.65%	$5,660.05M
Philips Electronics	$32,114.70M	3.02%	$1,566.57M
Ricoh Company	$20,418.91M	2.73%	$1,321.22M
Samsung Electronics	$215,085.45M	11.14%	$43,928.35M

Company	Gross Revenue	Net Profit Margin	Net Operating Cash Flow
SCSK	$2,803.38M	1.43%	--
Sharp Corp.	$28,469.81M	0.94%	$1,935.32M
Siemens AG	$102,592.46M	6.64%	$9,923.68M
Sony	$75,544.43M	(1.33%)	$6,459.19M
Sony Mobile	$3,087.06M	--	--
STMicroelectronics	$8,082.00M	0.65%	$366.00M
Texas Instruments	$12,205.00M	17.71%	$3,384.00M
Toshiba (Top Competitor)	$62,973.10M	1.31%	$1,403.87M
Unisys	$3,456.50M	1.20%	$187.40M
UTStarcom	$164.44M	(16.35%)	($1.92M)
ZTE	$12,308.24M	3.32%	$421.20M

Competitive Landscape

Companies listed are Top Competitors.

Key Numbers	NEC CORPORATION	FUJITSU LIMITED	HITACHI, LTD.	TOSHIBA CORPORATION
Annual Sales ($ M)	$29,597.33M	$46,490.13M	$95,925.76M	$62,973.10M
Employees	102,375			
Market Cap ($ M)	$8,010.67M	$8,500.38M	$284.91M	$21,208.37M

Profitability	NEC CORPORATION	FUJITSU LIMITED	HITACHI, LTD.	TOSHIBA CORPORATION	Industry	Market
Gross Profit Margin	30.19%	27.47%	24.25%	26.13%	24.85%	33.61%
Pre-Tax Profit	2.80%	(1.03%)	2.51%	2.62%	5.67%	10.71%
Net Profit Margin	1.50%	(1.66%)	1.13%	1.31%	4.30%	7.18%
Return on Equity	5.97%	(7.77%)	4.56%	8.15%	15.41%	11.40%
Return on Assets	1.86%	(2.43%)	0.95%	1.31%	4.49%	2.04%
Return on Invested Capital	3.79%	(4.92%)	2.30%	2.75%	10.02%	7.52%

Valuation	NEC CORPORATION	FUJITSU LIMITED	HITACHI, LTD.	TOSHIBA CORPORATION	Industry	Market
Price/Sales Ratio	0.33	0.30	0.48	0.32	0.73	1.48
Price/Earnings Ratio	22.22	55.56	42.74	33.22	16.72	20.75
Price/Book Ratio	1.38	1.79	1.74	1.58	2.57	2.30
Price/Cash Flow	7.61	23.87	8.82	6.60	6.40	0.33

Operations	NEC CORPORATION	FUJITSU LIMITED	HITACHI, LTD.	TOSHIBA CORPORATION	Industry	Market
Days of Sales Outstanding	75.9	74.3	93.3	80.0	57.0	--
Inventory Turnover	7.6	9.7	4.0	4.6	11.7	7.5
Days Cost of Goods Sold in Inventory	48.2	37.7	92.4	78.6	31.2	--
Asset Turnover	1.2	1.5	0.8	1.0	1.0	0.3
Net Receivables Turnover Flow	4.8	4.9	3.9	4.6	6.4	5.3
Effective Tax Rate	37.97%	--	37.44%	38.46%	23.52%	28.21%

Financial	NEC CORPORATION	FUJITSU LIMITED	HITACHI, LTD.	TOSHIBA CORPORATION	Industry	Market
Current Ratio	1.52	1.10	1.31	1.15	1.26	1.46
Quick Ratio	1.07	0.76	0.82	0.63	0.83	1.02
Leverage Ratio	3.26	3.35	4.71	5.90	3.17	5.51
Total Debt/ Equity	0.74	0.63	1.15	2.57	0.63	0.95
Interest Coverage	9.16	(15.27)	8.99	5.76	2.65	6.56

Per Share Data	NEC CORPORATION	FUJITSU LIMITED	HITACHI, LTD.	TOSHIBA CORPORATION	Industry	Market
Per Share Data	$11.28	$21.76	$165.55	$14.89	$10.78	$5.59
Dividend Per Share	$0.03	--	$42.33	--	--	--
Cash Flow Per Share	$0.50	$0.27	$9.03	$0.72	--	--
Working Capital Per Share	$1.94	$0.73	$2,538.23	$0.97	$4.00	$2.65
Long-Term Debt Per Share	$1.78	$1.28	$2,918.44	$2.39	$0.04	$0.05
Book Value Per Share	$2.73	$3.62	$45.87	$2.99	$8.92	$15.65
Total Assets Per Share	$9.41	$14.38	$20,308.41	$14.07	$39.58	$81.82

Growth	NEC CORPORATION	FUJITSU LIMITED	HITACHI, LTD.	TOSHIBA CORPORATION	Industry	Market
12-Month Revenue	(0.93%)	(1.92%)	(6.46%)	(4.34%)	(2.11%)	2.91%
12-Month Net Income	7.33%	--	(49.50%)	5.19%	(257.19%)	7.75%
12-Month EPS Growth	10.87%	--	(49.49%)	4.81%	--	--
12-Month Dividend Growth	(11.32%)	(50.00%)	(93.23%)	(0.08%)	--	--
36-Month Revenue Growth	(0.78%)	(2.17%)	0.27%	(2.86%)	(4.35%)	4.81%
36-Month Net Income Growth	--	--	--	--	(18.10%)	2.09%
36-Month EPS Growth	--	--	--	--	--	--
36-Month Dividend Growth	--	(9.14%)	--	--	--	--